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ABSTRACT

This report provides a summary of and recommendations from a study which investigated the cost structure of 16 Head Start grantees and delegate agencies. The study came about when the Office of Evaluation and Technical Analysis, Office of the Assistant Secretary for Planning and Evaluation, Department of Health and Human Services (DHHS) issued a basic ordering agreement to Aurora Associates, Inc., and Westat, Inc. to conduct a series of short-term, management-oriented studies of DHHS programs. (The task order discussed in this final report is the second resulting from the 1981-82 basic ordering agreement.) Following an executive summary of the study, its conceptual framework, and its plan (including descriptions of site selection and visits, the sample, and instruments used), a detailed discussion of the study's results, organized around six study questions, is presented, and the potential use of such information in a national examination of Head Start grantee and delegate costs is discussed. Finally, means of facilitating an examination of program costs across all Head Start grantees are recommended. A copy of the study's instruments, summary tables of the data gathered, and responses to the draft of the final report from programs in the sample are appended. (MP)

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STUDY OF HEAD START UNIT COSTS:
FINAL REPORT

March 17, 1982

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PS 012817

PREFACE

The Office of Evaluation and Technical Analysis in the Office of the Assistant Secretary for Planning and Evaluation, Department of Health and Human Services (DHHS), issued a basic ordering agreement to Aurora Associates, Inc., and Westat, Inc., to conduct a series of short-term, management-oriented studies of DHHS programs. In general, such studies can be characterized as quick-turnaround projects using a small sample of programs to generate insights into an issue rather than generalizable results. The primary deliverables are a set of briefings to the Assistant Secretary for Planning and Evaluation and the Assistant Secretary for Human Development Services. The task order discussed in this final report is the second resulting from the 1981-82 basic ordering agreement. As is the case for all final reports, it provides a summary and extension of the material presented in the final briefing.

This second task order requested an exploratory short-term evaluation of Head Start cost/performance data. The specific objectives were:

- to document reasons for variations in revenue and costs across grantees,
- to identify grantee practices which realize cost efficiencies,
- to develop policy recommendations which will help to optimize program performance and cost expenditures, and
- to suggest information to be contained in Head Start grant application packages and ways in which this information should be evaluated by regional and National Office staff.

The purpose of this final report for the second task order is to summarize study findings in a manner which satisfies the four objectives listed above. In order to be as useful as possible and consistent with the intent of the short-term evaluation approach, we will not repeat methodological details of earlier deliverables, but rather will adopt the style of a summary report. Thus, we will present and discuss concisely the significant findings and their implications in a manner easily usable by policy makers. In Appendix A we provide a copy of the instruments; in Appendix B summary tables of the data gathered; and in Appendix C responses to the draft final report from programs in the sample, and in one instance, our rebuttal.

Study of Head Start Unit Costs:

FINAL REPORT

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EXECUTIVE SUMMARY

This investigation of the cost structure of 16 Head Start grantees and delegate agencies yielded two levels of results. The first is a description of program costs emanating from an intensive review of program practices, revenue and expenditures. The second is a proposal, extrapolated from the description, for a framework for evaluating cost and performance data across all Head Start programs. In this summary we present first our descriptive results, organized by the study questions they addressed. Then we discuss the proposed method for examining all program costs in conjunction with performance information.

(1) What are the total revenues of the grantees for Head Start programs?

ACYF funds were the primary source of revenue for all programs, followed by in-kind contributions. All programs received USDA food monies; some received additional assistance from Community Service Agency funds and Comprehensive Employment and Training Act funds. About half collected cash contributions, generally of small amounts of money.

(2) To what degree are programs leveraging resources from sources other than Head Start (ACYF)?

A range of 16 to 49 percent of total resources brought into the program (mean, 30.4%) came from non-ACYF sources, suggesting that a considerable amount of leveraging was occurring.

(3) How are grantees spending their monies? What is the distribution of costs across different line items in the budget and across different program components?

A line-item analysis of accounts showed that approximately 70 percent of program expenditures were staff costs (salaries and fringe benefits). A functional analysis of cash costs demonstrated that the most expensive area was Education followed by Nutrition, Administration and then all others. When total costs were displayed, Occupancy ranked second to Education, followed by Nutrition, Administration and others. From a summary perspective, cash costs for all Direct Services (Education, Health, Nutrition, Social Services and Parent Involvement) consumed 65 percent of the average budget with a range from 49 to 75 percent.

(4) To what degree are programs "economical" and "efficient" in their use of resources?

Using annual ACYF cost per child as the measure of "economy", we found that our 16 sampled programs varied from $1,114 per child to $3,551. Offering ACYF cost per child hour of service as a proxy for "efficient" use of funding, we saw that costs varied from $1.16 per hour to $4.60. Some programs were both highly efficient and highly economical; some were neither highly efficient nor highly economical; others ranked highly on only one or the other of these measures.

(5) What kinds of staffing issues are related to program costs?

Head Start staff earned lower annual salaries than staff in day care centers and teachers in public elementary schools, largely because the Head Start programs had a shorter working day and year of operation.

(6) How are grantees realizing economies or efficiencies? Where are the flexibilities in program costs that can absorb the future effects of inflation?

Programs have chosen a diversity of ways to realize economies and efficiencies. If a large amount of money had to be recovered, directors often reduced the number of children served. Other options which more than one director had considered and would consider again in response to budgetary pressures included giving no raises, cutting level of service (number of weeks per year, days per week, hours per day), increasing reliance on donations of supplies and services, finding additional income, moving children to a home-based option, changing transportation plans, changing facilities or postponing renovations, reducing central staff or consolidating coordinators, and reducing fringe benefits.

An in-depth discussion of these results leads to recommendations of ways in which Head Start may facilitate an examination of program costs across all grantees. First, it is recommended that Head Start evaluate four dimensions of grantee and delegate programs: performance or quality, leveraging ability, economy and efficiency. Second, it is noted that Head Start regional offices and grantees require policy guidance on how leveraging, economy and efficiency should be increased while maintaining program performance. Specifically, guidance is needed about

- appropriate leveraging activities in terms of goals for amount of funds, sources to be tapped, staff to be involved, and level of commitment of resources to the effort;
- appropriate levels of service for the program. Are there minimum and maximum numbers of hours, days and weeks of service that are defined as constituting a "Head Start program?" and
- any other practices which ACYF staff feel should or should not be followed in reducing costs, e.g., reducing the number of children served.

Third, it is recommended that a cost review process be instituted to examine cost and performance data for all grantees and delegates. Three forms of such a process are presented varying in goals, length of time for development and implementation, and cost.

CONCEPTUAL FRAMEWORK

Head Start is one of very few government social service programs to earn an increase in funding in the 1982 fiscal year. By allocating additional resources to Head Start, Congress has expressed its confidence in the value of this comprehensive services program for children. Members of Congress and Federal officials at many government levels have given the program the mandate that it should continue to serve as many children as today — or increase the number of children served — while maintaining program quality.

In order to meet this mandate under significant inflationary pressure, the Head Start program needs to manage its resources with great care. Federal officials, in particular, need information on program quality and on the details of Head Start grantee budgets so that they can set appropriate guidelines. Many policy makers have asked questions about the wide cost variation among grantees who are delivering satisfactory services, suggesting that an investigation of these differences would provide critical information.

Policy makers enter an examination of program costs with a set of assumptions about an appropriate cost structure and an acceptable level of program performance. Head Start's Performance Standards have set programmatic goals for all grantees; the Self-Assessment Validation Instrument (SAVI) has measured the degree to which grantees and their delegate agencies have met these goals; performance indicators on the Program Information Report (PIR) supply such information to Federal officials. Even in times of serious inflation and strong pressure to reduce expenditures, policy makers do not wish to see program quality suffer in order to save money. Rather, their presumption is that quality should be maintained even though there may be changes in the structure of costs. Programs must provide *effective* services.

At the same time, policy makers do have financial goals for programs. Grantees are encouraged to use the minimum amount of Head Start dollars per child to pay for services (i.e., to be *economical*), to *leverage* the maximum revenue possible for their provision of quality services (i.e., to supplement ACYF dollars to the greatest extent possible), and to spend every dollar in the most *efficient* manner possible (i.e., to purchase the greatest number of units of service possible per dollar).

Head Start's monitoring of progress toward meeting these financial goals is accomplished primarily by regional office staff who have the responsibility for an annual review of grantee expenditures and negotiations for the subsequent year's ACYF grant. In general, such financial monitoring is less sophisticated than the monitoring of program performance. The only instruments on which cost details are reported are the grant application and the yearly audit report. The former instrument has only seven line items, too few to allow a detailed analysis of costs. The latter offers more line items, but audits do not follow a standardized format, so they are not optimal vehicles for comparing costs across programs and evaluating the "reasonableness" of line items. Similarly, since the required yearly audit captures non-ACYF revenue only up to the requirement that 20 percent of costs be covered by non-Federal dollars, information on the amount of leveraged resources is incomplete. Thus, it is not possible for regional (or national) staff to evaluate thoroughly the economy, efficiency, or leveraging of grantees.

In order to make informed policy decisions about the allocation of resources, Federal staff need further information on program costs. Specifically, they have asked the following six financial questions:

1. What are the total revenues of the grantees for Head Start programs (e.g., from the Administration for Children, Youth and Families (ACYF), the Department of Agriculture (USDA), Comprehensive Employment and Training Act (CETA), Early Periodic Screening and Developmental Testing (EPSDT), state sources, local sources, donated goods and services)?
2. To what degree are grantees leveraging resources from sources other than Head Start (ACYF)?
3. How are grantees spending their monies? What is the distribution of costs across different line items in the budget and across different program components?
4. To what degree are programs economical and efficient in their use of resources?
5. What kinds of staffing issues are related to program costs?
6. How are grantees realizing economies or efficiencies? Where are the flexibilities in program costs that can absorb the future effects of inflation?

Answers to these six questions can be extremely useful to Federal and regional policy makers by informing them of the complexities and trade-offs in decisions about the distribution of Head Start monies. If grantees have options for using further donated goods and services, such actions could be encouraged. If certain staffing patterns are very expensive, one might argue that they should be avoided and that other less expensive patterns could be just as effective. If certain grantees show excessively high costs, and changes would jeopardize neither the quality of service delivery nor the number of children served, such changes might be suggested. The answer to Question 6 on efficient and economical practices can be of particular use to local staff because grantee and delegate agency staff are trying to find large and small efficiencies that will preserve program integrity while saving money.

STUDY PLAN

Our approach to addressing the evaluation questions was to select sites, develop instruments, and visit those sites to gather as extensive information as possible on Head Start program operations, economy, efficiency and leveraging. The sites had to be sufficiently different in order to provide us with a useful picture of the range of programs and cost structures, yet all had to meet four critical standards: (1) a willingness to participate in the study, (2) a financial management system that was in good order for easy access in a short time period, (3) a director and financial manager who had been with the grantee throughout the last year for which closed books existed, and (4) a program which met a satisfactory standard of quality.

Assessing Quality

This last issue of quality or program performance was of key importance to the study. Policy makers clearly wish to see all Head Start programs maintain a satisfactory level of quality and seek the high level of quality specified in the Performance Standards. Unfortunately, quality is difficult to define, let alone to measure. Our requirement was that the sample contain only those grantees that offered at least a "satisfactory" quality of service. In this group alone we would examine costs. Such a requirement is necessary because one way of achieving savings is to reduce the quality of service delivery. Similarly, "low quality" programs could argue that they need more money to meet Head Start's standards. We would not know how to compare their costs with others. So, we chose to define program performance indicators, check available sources to ensure that sampled programs met the standards, and then recheck all indicators on site to be certain we understood the level of quality of the program (as well as its financial structure).

Theoretically, a definition of Head Start program quality could isolate three factors: quality in structure, that the program offered a sufficient number of hours and days of service, employed a sufficient number of staff to deal with the number of enrolled children, employed a sufficient number of staff trained in early childhood education, and set a low enough ceiling on the number of children in a classroom to ensure its effectiveness; quality in process, that the interaction of staff and children in classroom activities and staff and families in outside activities met high standards; and quality in outcomes, that children showed significant cognitive gains across their time in the program, that they received the required medical and dental care, that the social service needs of families were met, and that all parents become involved in the program and took significant responsibility for their children's learning and development.

Few of these quality indicators have universally accepted measures. For example, we do not know how many hours per day, days per week, or weeks per year constitute a "sufficient" level of service provision to ensure the effectiveness of the program. The Westinghouse study (1969)[1] which focused on Head Start as a six- to eight-week summer program suggested that this service level was insufficient to produce lasting gains. We know from the Home Start Demonstration Program[2] that two years of contact yielded no additional gain over one year. But we do not know how many hours of contact over how many days and months are necessary and sufficient to produce the desired results.

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[1] Westinghouse Learning Corporation, The Impact of Head Start, "An Evaluation of the Effects of Head Start on Children's Cognitive and Affective Development," Ohio University, June, 1969.

Similarly, there are no agreed-upon standards for interpersonal interactions in the classroom or between staff and parents. The National Day Care Study[3] included extensive observations of classroom interactions and showed that certain behaviors (e.g., a higher number of social interactions among children, less aimless wandering) occurred in classrooms with greater cognitive gains, but the study did not attempt to define how many or how few of these interactions were required for substantial gains. There simply is not an exact threshold below which only minimal outcomes will occur and above which all desirable outcomes occur.

In fact, it is difficult to specify the precise level of an outcome which is "sufficient". Defining cognitive gains to everyone's satisfaction may be impossible; achieving consensus among most of the involved parties is a serious problem. Head Start's Performance Standards provide some assistance in defining levels of non-cognitive program outcomes. The Standards state, for example, that 100 percent of enrolled children should be medically screened, implying that "sufficiency" is only achieved when every child has been screened. However, because of the practical difficulties in achieving 100 percent, it seems unduly harsh to penalize or call "inadequate" a program which is only slightly below the ideal.

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[2] Love, J.M., Nauta, M.J., Coelen, C.G., Hewett, K., and Ruopp, R.R. National Home Start Evaluation: Final Report. Findings and Implications. High/Scope Educational Research Foundation and Abt Associates, Inc., March, 1976.

[3] Ruopp, R., Travers, J., Glantz, F., and Coelen, C. Final Report of the National Day Care Study. Volume 1: Children at the Center. Abt Associates, March, 1979.

Since many researchers and program staff members have wrestled with defining usable standards of quality, we do have some guidelines for our own definition. In terms of the quality of program structure, we know that Head Start has defined appropriate staff/child ratios and group sizes for enrolled children. For the definition of quality in interactions, we can use the results of the National Day Care Study that better interactions are associated with our structural variables of smaller group sizes, higher staff/child ratios and more teachers trained in early childhood education, and infer the level of quality in interpersonal interactions indirectly through these measures. To define quality in outcomes, we can use measures of service delivery defined on the Program Information Report (PIR) and establish a satisfactory level of achievement in the delivery of services to children and families.

For this study, then, adequate quality was defined by the following eight indicators:

- Staff/child ratio: each program's staff/child ratio for enrolled 4-year-olds had to be 1:10 or above.
- Group size: no group could exceed 20 enrolled children.
- Teacher training in early childhood education: at least one of the two paid staff in a classroom must have had the equivalent of at least one 3-hour course in early childhood education.
- Medical screening: at least 80 percent of the enrolled children must have been fully screened.
- Dental screening: at least 80 percent of the enrolled children must have received a dental screening.

- Immunizations: at least 80 percent of the enrolled children must have received all immunizations.
- Social service needs: at least 80 percent of families with social service needs must have had those needs satisfied to the best of the ability of the Head Start program (e.g., if Head Start connected the family to the service, but the family was found to be ineligible, Head Start has still served this family to the full.)
- Parent involvement: at least 80 percent of families must have had at least one parent participate in one voluntary Head Start activity during the year.

Before admitting grantees into the sample, we checked to make sure they met the seven of these quality criteria that are listed on the PIR. The eighth criterion, teacher training, is not reported nationally, so all data had to be collected on site. After reviewing available information, we talked with regional office staff to ascertain their opinions of program quality based on their personal knowledge of the grantees. Each grantee that met the seven criteria scored from the PIR and was judged a satisfactory program by regional staff was included in the sample. To complete our review of quality, we gathered precise data on site to recheck each of the eight quality criteria as a verification that our sample selection was appropriate.

Sample Description

Table 1 contains a description of the sample which included nine grantees: two (Grantees A and B) operate their own programs and have at least one delegate; one (Grantee C) operates none of its own programs, but delegates program authority to seven other agencies; six (Grantees D to I) operate only their own programs. All of the delegates of Grantees A and B were visited; only three of the delegates of Grantee C were included. Where we discuss findings about "grantees", then, we are able to summarize data from a sample of nine. When we

Table 1

Sample Description

Program	Region	Number of Delegates	Number of Centers	Planned Enroll-ment	Area	Auspices	Hrs/Day	Days/Wk	Home-Based Option
A - Grantee	I	3	36	1,903[a]	Urban	CAA			
A1 - Own Program			32	1,670	Urban	CAA	3-6	2-5	No
A2 - Delegate			2	108	Urban	CAA	4	5	No
A3 - Delegate			1	72	Urban	Private	6	5	No
A4 - Delegate			1	53[a]	Urban	Private	10	5	No
B - Grantee	VII	2	16	1,040[b]	Mixed	Private			
B1 - Own Program			9	230[b]	Mixed	Private	4-10.5	4-5	Yes
B2 - Delegate			6	630[b]	Urban	School	6.5	2	No
B3 - Delegate			1	150[b]	Urban	School	4	4	No
C - Grantee	IV	7	44	1,130	Rural	CAA			
C1 - Delegate			23	500	Rural	School	6	5	No
C2 - Delegate			6	192	Rural	School	5.5	5	No
C3 - Delegate			4	100	Rural	School	4-6	5	No
D	IV	0	1	85	Urban	Private	6	5	No
E	IV	0	3	196[c]	Mixed	CAA	6	5	No
F - Center-Based	IV	0	7	210	Mixed	CAA	4	5	Yes
G	VII	0	7	165	Rural	CAA	4	4	No
H	VII	0	5	115[b]	Rural	CAA	4	4	No
I	VII	0	8	103	Mixed	CAA	4	4	No
B1 - Home-Based				30[b]					
F - Home-Based				50					

[a] 15 children in the delegate's program paid fees and were subsidized by Title XX. They are not counted in these charts as Head Start children, although the grantee does count them.

[b] Planned enrollment was at least 5% lower than average daily enrollment.

[c] Planned enrollment was at least 5% higher than average daily enrollment.

mention the number of "sites" we visited, we are describing 17 locations. However, when we discuss the costs of running a "program", we are concerned with a data set of 16, since Grantee C did not run its own program (and all of its costs were allocated to its delegates), but all other "sites" had programs and kept their own books.

These 17 sites represented a useful mix of the organizational and programmatic characteristics which follow:

- Region: Four are from Region I; seven from Region IV; and six from Region VII.
- Number of centers: This ranges from 1 to 44 per program.
- Planned enrollment: This ranges from 85 to 1,903 at the grantee level and from 53 to 1,670 at the program level (or, the level at which books were kept and our analyses were conducted).
- Area: Seven programs are in an urban area, four in mixed areas, and five in rural aras.
- Auspices: Seven programs operate under the auspices of community action agencies, five under school systems, and four under private non-profit agencies.
- Hours per day: Programs range from 3 to 10.5 hours of operation per day.
- Days per week: Program operation varies from two to five days.
- Program options: Two programs offer a home-based option.

Table 2 summarizes the results from on-site data gathering of information on program performance. In the columns opposite the identifier for each grantee or delegate are the program performance ratings for each of the eight variables. In the bottom row of the table are the minimum acceptable levels of performance defined for the study. Numbers which are underlined are those that are below this minimum. The final column of the table holds the total number of indices "passed" by each program.

Table 2

Program Performance Indices

Grantee	Staff/ Child Ratio	Group Size	% Trained Classroom Staff	% Medical Screening	% Dental Screening	% Immunized	% Social Service Needs Met	% Parent Involvement	Total
A1	1:9	18	90.5	92	85	100	92	---	7/7
A2	1:7	18	95.2	100	82	100	100	100	8
A3	1:9	18	90.0	92	61	92	97	60[b]	6
A4	1:8.5	17	72.7	100	89	100	100	75[b]	7
B1	1:10	20	85.7	84	91	82	100	100	8
B2	1:9.5	19	71.9	77	93	76	51	45	4
B3	1:8.5	17	52.9	97	93	96	100	65	7
C1	1:10	20	49.0[a]	87	100	99	100	50	6
C2	1:9	18	60.2	90	90	100	92	81	8
C3	1:10	20	50.0	83	84	53	94	100	7
D	1:10	17	31.8	100	94	100	100	90	8
E	1:9.5	18	40.9	90[b]	93	90[b]	100	95	7
F	1:10	15	19.2	98	100	94	---	100	6/7
G	1:8.5	17	38.1	100	94	88	100	90	7
H	1:10	20	69.2	100	100	98	98	78	7
I	1:8.5	17	63.6	89	89	100	95	100	8
Standard	1:10	20	50%	80%	80%	80%	80%	80%	

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[a] Underlining implies the program does not meet the set standard of quality on that indicator.

[b] These figures are estimated; accurate data were not available.

Six programs met all of the criteria for which data were available (A1, A2, B1, C2, D, I). An additional seven achieved a satisfactory level on all but one of the indicators (A4, B3, C3, E, F, G, H), and though one should strive for perfection, still appear to be reasonable choices for the sample. Two programs scored slightly lower in this schema (A3, C1), passing six of the eight criteria. One program (B2) was definitely problematic, having met only four of our eight minimum standards.

Clearly the sites encompass a diverse set of programs offering a good view of the varied set of Head Start grantees and delegate agencies. Because of the variation in program performance, we had to pay close attention to the relationship of performance and financial indicators, recognizing the limitations inherent in our chosen measures and small sample size. Most of the sampled programs are of satisfactory quality, but there is sufficient variation that we cannot consider them a single group and dismiss differences.

Instruments

Two kinds of instruments were required for this study: forms to describe key features of the Head Start program and catalog grantee and delegate agency revenues and expenditures; and a discussion guide for use with regional staff, directors and other program staff. The former had to provide a standardized format for displaying costs and define questions about the program and its cost structure which would allow us to determine the economy, efficiency and leveraging ability of the program. The standardized cost format was patterned after similar materials developed by WRI/REAP for use in day care centers. In its turn, the discussion guide permitted us to explore directors' priorities for expenditures and methods for realizing cost efficiencies.

The chief challenge in developing the full cost instrument was one of definition of our four major variables. The operational definition of program quality has already been discussed. The other key constructs structs were defined as follows:

- The economy of a program is its annual cost per child in ACYF dollars, total Federal dollars, and total revenue. Though the primary focus of the study is on the ACYF dollar, it is important to have the full perspective on costs provided by all three measures.
- The efficiency of a program is indicated by its cost per child hour in the classroom, calculated using ACYF dollars, total Federal dollars or total revenue as the numerator and the hours per year that children are scheduled to be enrolled in Head Start as the denominator.
- The leveraging ability of a program is indexed by the percent of total revenue that comprises non-ACYF dollars.

This notion of efficiency is narrower than the ideal. That is, an "efficient" program should be broadly defined as one which demonstrates a low unit cost per service. Head Start, of course, is a comprehensive child development program focusing on the whole child and his/her family. It provides assistance in the areas of child cognitive development, psycho-social development, nutrition, and health, and family social services and parent involvement. The service unit measured, therefore, could include home visit hours, health examinations, meals served, social service needs satisfied, and hours of parent involvement as well as child contact hours in the classroom. Unfortunately, the measurement of any services above and beyond child contact hours is very problematic. Head Start staff are not required to keep records which would provide most of these facts. The "units" of these services are not additive; we do not know how to equate a unit of immunizations with a unit of parent involvement. So, we limited ourselves to a proxy for services defined as planned child classroom hours over the course of the program year.

It should be noted that these limitations on measuring units of service and program performance do not flaw the study. They must simply be kept in mind by policy makers considering actions based on the results gleaned from the measures.

All instruments used in the study appear in Appendix A.

RESULTS

The Study Questions

In this section we present our findings on each of the six study questions, and then discuss the potential use for such information in a national examination of Head Start grantee and delegate costs. Please note throughout the presentation that we are dealing with only 16 programs, not the universe of Head Start grantees and delegates. Our purposes are to describe programs by using financial indicators in conjunction with performance data and to recommend indicators which Federal staff can use in future examinations of program information.

1. What are the total revenues of the grantees for Head Start programs?

Figure 1 shows the distribution of income for the 16 programs we sampled. The following conclusions are evident from the data:

- ACYF was the primary source of revenue for programs, supplying 51 to 84 percent of the monies for Head Start.
- In-kind contributions (donated space, supplies, and services; volunteers; costs absorbed by another party, often the grantee, and not charged to Head Start) were the next major source of revenue, accounting for 10 to 43 percent of total revenue.*
- All programs received United States Department of Agriculture (USDA) food monies, which comprised 3 to 15 percent of revenue.
- Community Service Agency (CSA) monies helped pay for administrative space, utilities and some services in most programs under Community Action Agency (CAA) auspices, accounting for 0.3 to 4 percent of program revenue.

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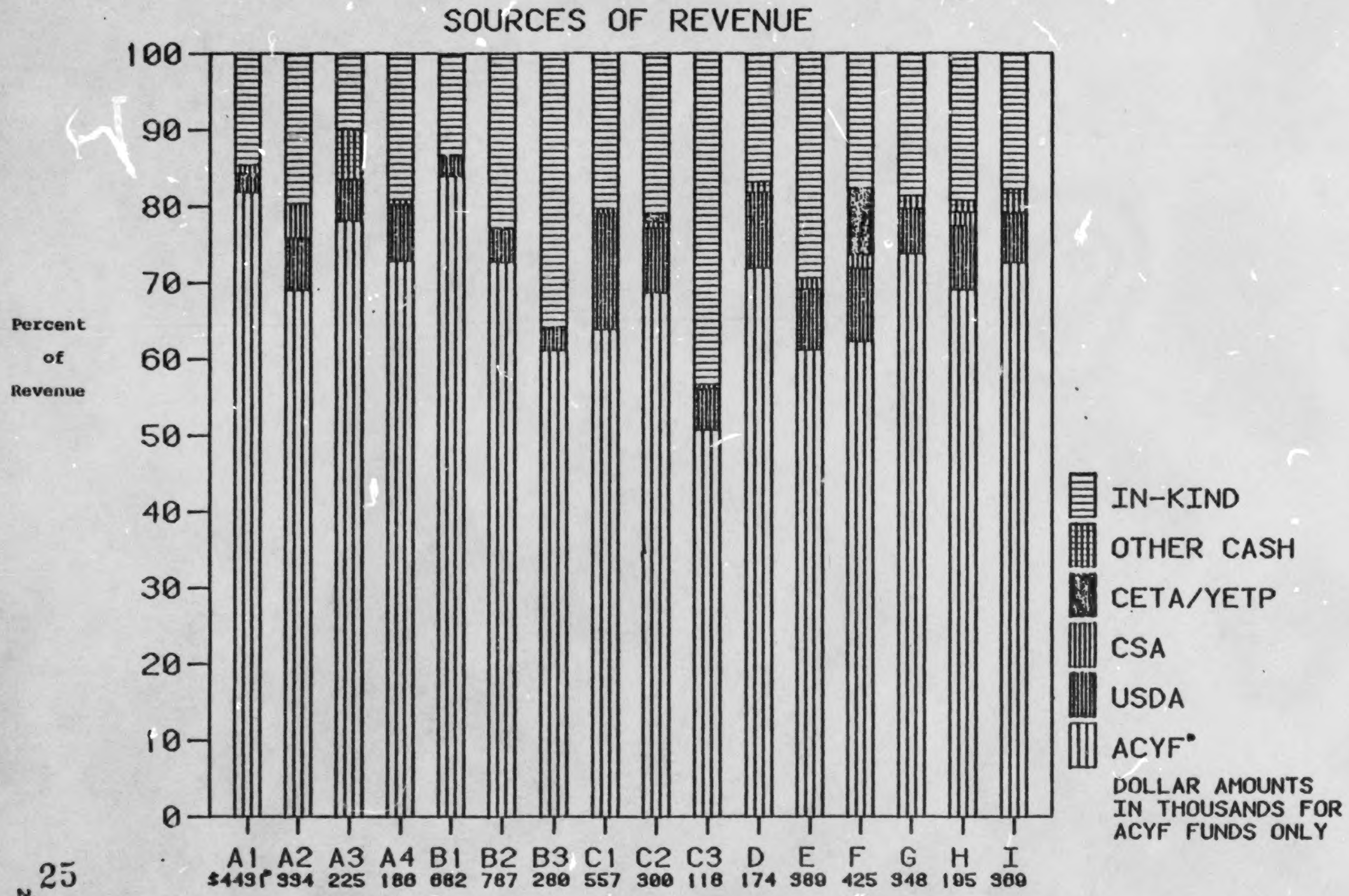
* It should be noted that our definition of in-kind contributions is not equivalent to "non-federal share." We included the value of services supplied by the grantee and other agencies for the program without charge, and excluded any recorded donations which did not rigorously meet Head Start guidelines, e.g., parent time in meetings, food and parent time for parties and graduations, time spent on programs for Head Start graduates now in elementary school.

Figure 1


SOURCES OF REVENUE
Percent of Revenue
100
90
80
70
60
50
40
30
20
10
0
A1 $443*
A2 334
A3 225
A4 186
B1 682
B2 787
B3 280
C1 557
C2 300
C3 118
D 174
E 389
F 425
G 348
H 195
I 389
IN-KIND
OTHER CASH
CETA/YETP
CSA
USDA
ACYF*
DOLLAR AMOUNTS IN THOUSANDS FOR ACYF FUNDS ONLY

- Comprehensive Employment and Training Act (CETA) funds were used infrequently — by only 3 of the 16 programs sampled — and were over one percent of revenue in only one program.

- Other cash income from private groups or individuals was collected by only 7 of the 16 programs, averaging about $7,000 in those programs and supplying one to nearly 7 percent of total revenue.

These data and additional information supplied by the directors interviewed suggest that Federal efforts to control USDA, CSA and CETA expenditures are not expected to have a profound debilitating effect on Head Start in the short term. For these particular programs, CSA and CETA reductions will have no impact or will have a relatively small impact. In general, CSA funds are now expended by CAA grantees to pay for rent or other administrative expenses of the Head Start program under the CAA aegis. Head Start may now be charged for some of these expenses. However, most CAAs have prepared for economizing without CSA funding by finding additional monies for their endeavors, and do not expect the CSA reductions to harm their programs seriously. CETA funds, in their turn, were generally used to bring additional aides into the program to assist teachers, the director, cooks, secretaries, social workers, or bus drivers. These staff will be missed, but generally will not be replaced. Downgraded funds in USDA's Child Care Food Program, from reimbursement for a maximum of five meals a day to three, will affect few programs since most serve only three meals; reductions in the Milk Program may affect some programs as well.

Program contractions that may affect the program over the longer term are those projected in Department of Education programs. School systems are often generous suppliers of services to Head Start; they may be unable to afford continuation of these services if their funding is more limited. In addition, curtailed funds in EPSDT services may influence Head Start program budgets. We were unable in this study to capture health expenditures fully, so cannot comment on the impact of changes in this agency's screening program.

2. To what degree are grantees leveraging resources from sources other than Head Start (ACYF)?

Because ACYF requires that 20 percent of program costs be paid for by non-Federal monies, all grantees and delegates are involved in soliciting donations and in-kind contributions. Most directors are very successful in these endeavors, finding professional and paraprofessional volunteers to supply needed services; free or partially subsidized space; agencies that will cover utility costs; free equipment, food, and supplies; and sometimes sources for cash donations. Appendix Tables B.1, B.2 and B.3 show the value of in-kind goods and services that sampled programs leveraged. Figure 1 (page 20) diagrams the total revenue of each program and allows a further examination of leveraging activities.

To answer this study question we would like to assess the degree to which programs use non-ACYF sources to pay for their activities. Recognizing the limitations of the study — that we were unable to gather complete information on health costs paid for by non-ACYF funds and were not able to substantiate all estimates of the value of other services paid for by such sources (e.g., subsidized life insurance for staff) — the following finding may be reported:

- A range of 16 to 49 percent of total resources brought to these programs came from non-ACYF sources (mean, 30.4%).

In many cases a significant amount of leveraging is occurring, certainly more than is reported to ACYF under the current system.

Two conclusions follow from these results. First, Head Start directors must be very involved with the network of social service agencies and providers in their neighborhoods in order to manage this degree of leveraging. They deserve commendation for their resourcefulness. It might even be useful to facilitate an exchange among directors of suggestions of sources so that individuals can build their own networks further. For example, several programs we visited were very interested in a leveraging activity reported by a grantee we visited early on. This director had placed a local judge on her Board. The judge knew when Head Start needed volunteer labor and would watch for an appropriate person in his courtroom. When such a person was found guilty (generally of a driving offense or other minor crime), the judge would suggest an alternative sentence to jail, e.g., building playground equipment or cubbies, fixing plumbing in a Head Start center.

A second conclusion is that there may be additional sources for revenue that directors have not yet tapped. Cash donations to most programs, for example, are small in size. Head Start staff have not seen themselves as direct fund raisers. Most programs in our sample have not successfully approached private sources (e.g., business and industry), and most directors were unenthusiastic about the prospect. Some directors reported that community members had told them that the taxes paid for the program were a sufficient contribution, or that Head Start was fortunate to be spared budget cuts, so it behooved potential donators to take their money to programs under stress. Many directors said there simply was not enough staff time to spend on this sort of endeavor. Thus, there may be untapped sources of revenue for Head

Start and solicitation of funds could be encouraged, but caution is required in building expectations for the degree of its success.

3. How are programs spending their monies? What is the distribution of costs across line items in the budget and across program components?

Figure 2 presents a summary of the cash expenditures for different line items in the budget. All sampled programs were combined into one bar chart which shows the following results:

- Total staff costs (salaries and fringe benefits) average about 70 percent of total expenditures. Salaries account for about 60 percent (with a range across programs from 50 to 66 percent), and fringe benefits require another 10 percent of the budget (a range from 6 to 12 percent across programs).
- All other line items combined account for only about 30 percent of the program budgets.

Figure 3 summarizes the breakdown of cash and total expenditures into eight functional areas. The first five (beginning at left of the chart) are the five program components known collectively as the "Direct Service Functions" of Head Start. Each of these areas was defined to cover those services described in Head Start's Performance Standards (1975). The next three functions are the three "Support Functions", those areas encompassing activities which must be performed in order for the program to exist, but which only indirectly serve children or parents. "Administration" includes executive direction of the program, planning, fund raising, advertising, legal consultation, accounting and bookkeeping, personnel management, purchasing and central office services. "Occupancy" comprises janitorial services, maintenance and repairs, security services, building insurance, rent and utilities. "Transportation" subsumes both the travel of children to the program and the travel of staff while on program business. Costs for handicapped services are not separated, but rather have been

Figure 2

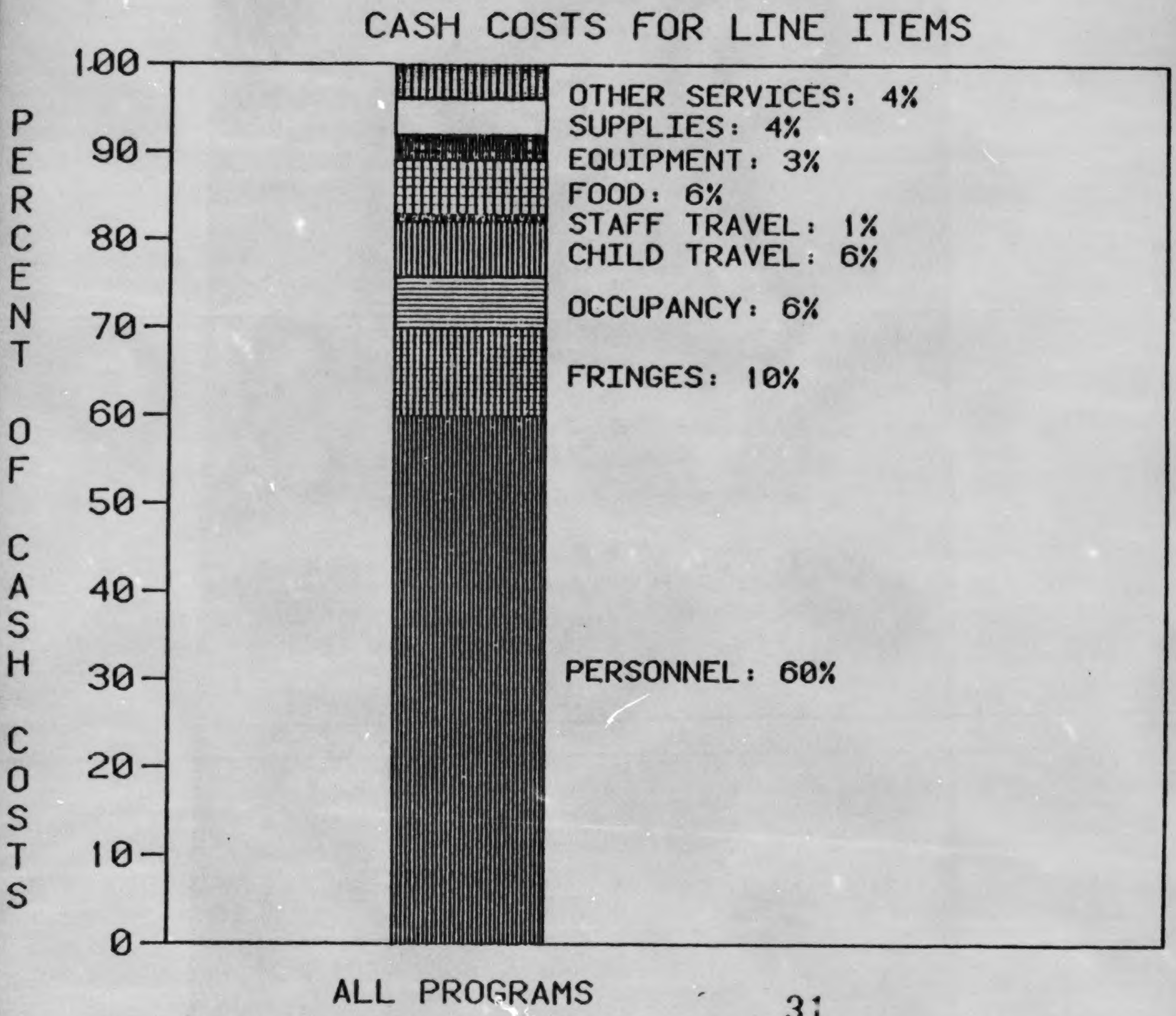
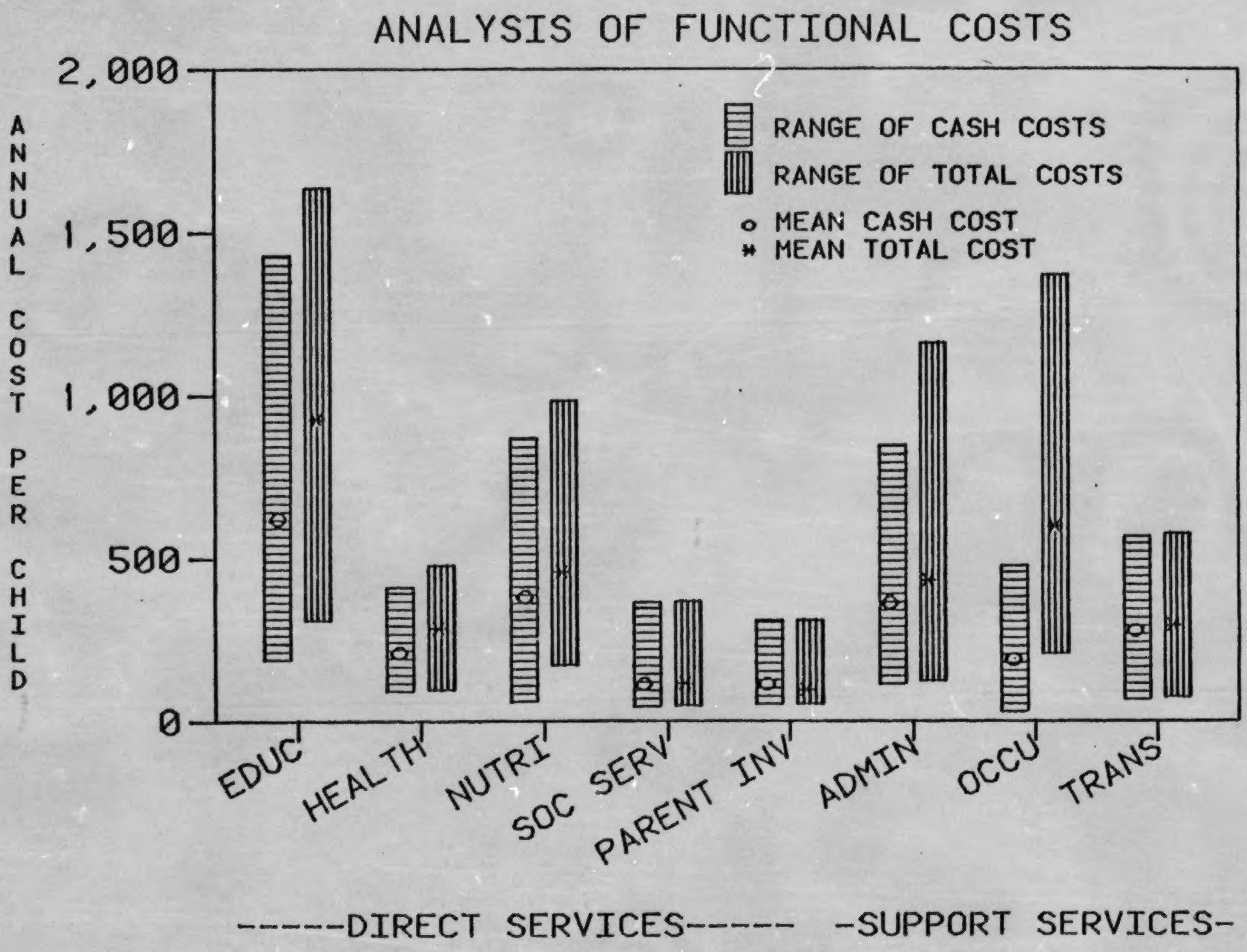

CASH COSTS FOR LINE ITEMS
PERCENT OF CASH COSTS
100
90
80
70
60
50
40
30
20
10
0
OTHER SERVICES: 4%
SUPPLIES: 4%
EQUIPMENT: 3%
FOOD: 6%
STAFF TRAVEL: 1%
CHILD TRAVEL: 6%
OCCUPANCY: 6%
FRINGES: 10%
PERSONNEL: 60%
ALL PROGRAMS

Figure 3


ANALYSIS OF FUNCTIONAL COSTS
ANNUAL COST PER CHILD
2,000
1,500
1,000
500
0
RANGE OF CASH COSTS
RANGE OF TOTAL COSTS
o MEAN CASH COST
* MEAN TOTAL COST
EDUC
HEALTH
NUTRI
SOC SERV
PARENT INV
ADMIN
OCCU
TRANS
-----DIRECT SERVICES-----
-SUPPORT SERVICES-

divided among these five functions. Separation of such costs would have made the data-gathering process too time-consuming since few programs isolate these expenditures in their accounting records.

The vertical bars on the chart represent the range of costs for each function. The minimum amount expended by a sampled program is shown as the base of the bar; the maximum as the top of the bar. Symbols within the bar represent the mean cost across all 16 programs. Those bars with horizontal lines show the range of cash costs; those with vertical lines show total costs (cash costs plus in-kind contributions).

First, let us summarize the findings from this figure on the cash costs of the various functional areas:

- The most expensive functional area is Education, requiring an average cash outlay of $631 per child per year.
- The next highest cash cost is Nutrition with a mean cost per child of $376.
- Administrative costs rank third with an annual per child cost of $354.
- All other functions have mean cash costs under $250.

From a financial point of view, then, it would seem that any substantial cost savings must come from the areas of highest costs -- Education, Nutrition and Administration. From a pragmatic view, however, these areas might not be amenable to change. For example, most of the cost of the Education component stems from staff salaries for one teacher and one paid aide in each classroom. No one would opt to reduce the number of paid staff from two to one, though this may seem the most obvious avenue for reducing Education costs. Rather, even in this component, we must look for savings at the margin. It may be possible, for example, to reduce the cost of the Education Coordinator by combining his/her job with another coordinating or administrative role. One might wish to ask about the number of hours Education staff work, and look at this area for savings. And so on. Great care must be taken in making suggestions for change and in implementing them. Only when the exact circumstances of a particular program are taken into account can satisfactory decisions be made about alterations in expenditures.

Next, let us look at the costs of the combination of Direct Services compared to the Support Service functions. From such an analysis, we see the following:

- Cash costs for Direct Services average $1,486 per child or 65 percent of the average budget. The range is from $782 to $2,717 or from 49 to 75 percent of the budget.
- Administrative costs average $354 per child or 15 percent of the Head Start budget. The range of costs is from $113 to $735 per child, or from 7 to almost 24 percent of the budget.*
- Other Support Services (Occupancy and Transportation) average $448, ranging from $163 to $752, or from 11 to almost 27 percent of the budget.

One suggestion resulting from this breakdown is that a comparison of the percentage of cash costs expended for Direct and Support Services could yield an indicator of the "reasonableness" of costs. Specifically, the program that expends only 49 percent of its resources on Direct Services may be distributing resources unwisely. Technical assistance may be directed toward analyzing the distribution in order to discern why so much money is spent on the support components.

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* The law regulating Head Start stipulates that no more than 15 percent of a grantee's budget may fund "administrative" activities, but it defines none of these activities. For this project we constructed a clear definition by which only 7 programs are in compliance. Without a Federal definition, however, it is impossible to state definitively who does or does not exceed the 15 percent limit.

Other findings from Figure 3 are the following:

- Non-cash in-kind contributions of significant scale are made chiefly in the areas of Occupancy and Administration. For example, space is donated by churches, schools and housing projects. Grantees and other social service agencies donate administrative time.

- The relative positions of functions remain fairly constant when one considers cash and total costs, with the exception of the placement of costs for Occupancy. Because of sizeable space donations, the total cost of Occupancy places it second only to Education, and ahead of both Nutrition and Administration.

4. To what degree are programs economical and efficient in their use of resources?

Table 3 summarizes the annual ACYF cost per child (economy) and the ACYF cost per child hour of service (efficiency) for all 16 programs in the sample.

- The range in economy is from $1,114 to $3,511 in the center-based programs, with a mean of $2,110. The two home-based programs had annual per child costs of $1,156 (program B1) and $1,268 (program F), considerably lower than their center-based counterparts.

- The range in efficiency is from $1.16 per hour to $4.60 per hours among center-based programs, with a mean of $2.66. The home-based programs were less efficient per hour of direct contact with costs of $17.11 (B1) and $5.73 (F), though it is difficult to equate one home-based and one center-based contact hour.

Thus, there was considerable variation in these two important indices of cost, even within the small sample of this study.

In addition, economical programs were not necessarily efficient and vice versa. The correlation between program's rankings on these two measures was only .30 (non-significant). Though some programs were above the median on both economy and efficiency (C1, C2, C3, E, F), others were above the median only on economy (B2, B3, H) or only on efficiency (A4, B1, D), and still others were above the median on neither measure (A1, A2, A3, G, I).

Table 3

Program Economy and Efficiency

Program	Annual Cost	Ranking of Economy	Hourly Cost	Ranking of Efficiency
C1	$1,114	1	$1.16	1
C3	1,184	2	1.54	3
B2	1,249	3	3.10	10
C2	1,564	4	1.78	4
H	1,697	5	3.18	11
F	1,724	6	2.51	8
B3	1,865	7	3.70	15
E	1,983	8	2.04	6
I	2,017	9	3.19	12
D	2,044	10	1.91	5
G	2,112	11	3.67	14
A1	2,653	12	3.49	13
B1	2,813	13	2.45	7
A2	3,096	14	4.60	16
A3	3,127	15	2.90	9
A4	3,511	16	1.40	2

5. What are the levels of staff salaries in comparison with salaries of other local staff working with children?

Because staff salaries are such a significant part of the budget, we need to examine them for "reasonableness". First, how do they compare with other local salaries for people working with children? Figure 4 presents these comparisons.

- Schools pay teachers higher annual salaries than day care centers which pay higher salaries than Head Start. This is largely because Head Start has a shorter working day and year of operation. Head Start pays somewhat higher hourly wages than day care; both are constrained by minimum wage.

Most Head Start staff receive relatively low annual salaries and directors wish not to reduce these salaries. Some directors even told us that if they reduced hours the staff worked per day, they would not also reduce salaries. Because salaries are such a large part of program budgets, it may seem as though greater economy could be achieved through this line item. That simply may not be the case.

6. How are grantees realizing economies? How do they expect to do so in the future?

Table 4 summarizes the actions that directors said they would seriously consider in response to budget pressures. Following the name of the option, we present the number of directors (out of 17 interviewed) who said this option would be one of the first three they would try. The option that was mentioned most often is "Serving fewer children." It is not that directors wish to serve a smaller number, but rather that they think this is the only way to save a substantial amount of money. In fact, this action has already been taken in some programs. Just within our sample, five programs were serving at least five percent fewer children than the number planned in their ACYF grant. The critical implication of this high ranking of the option is

Figure 4

HOW DO HEAD START ANNUAL SALARIES COMPARE WITH PUBLIC SCHOOL AND DAY CARE?

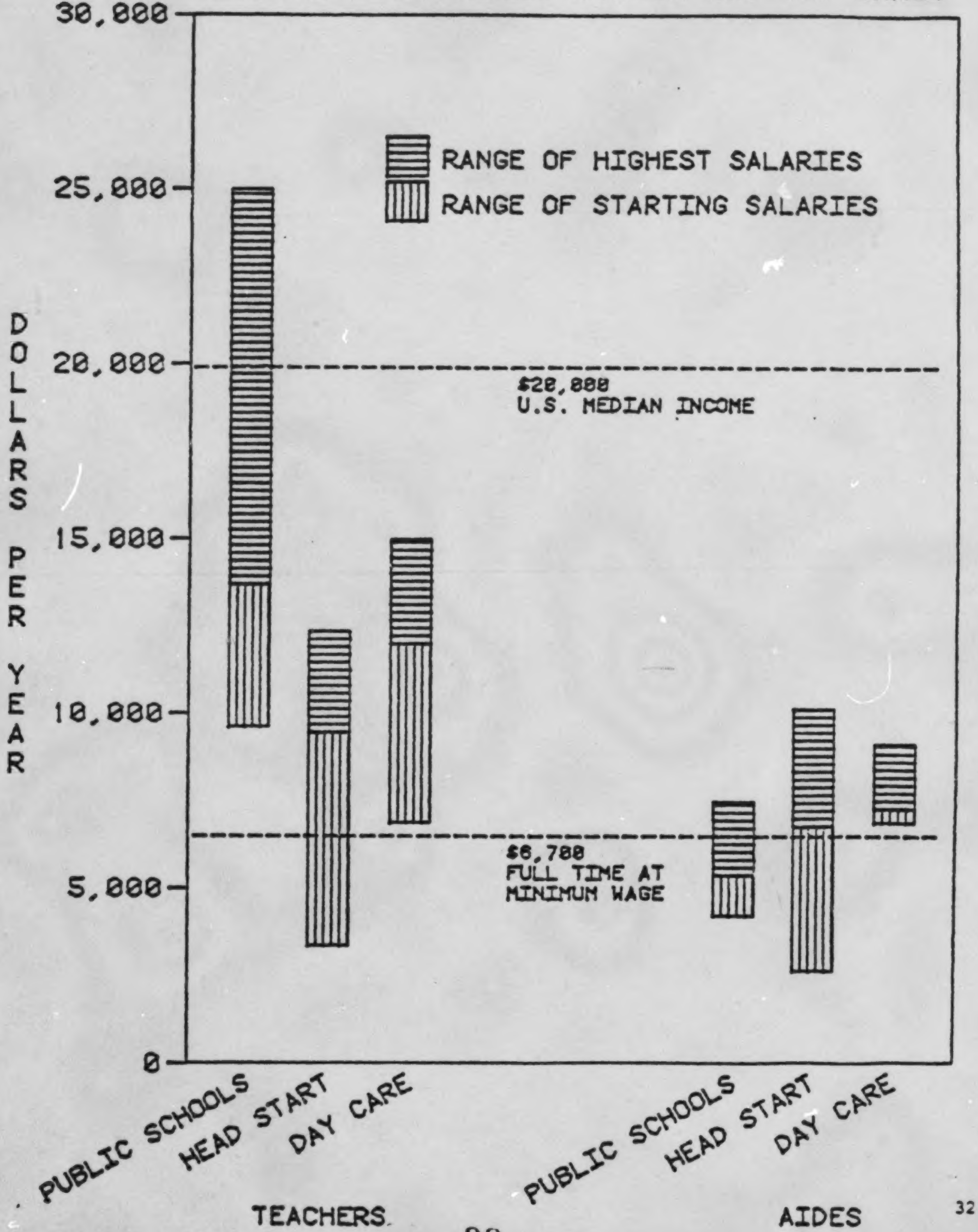

Table 4

Actions Directors Would Seriously Consider in Response to Budget Pressures

Name of Option	Is It Ranked Highly?
A. Serving fewer children.	9
B. Giving no raises.	7
C. Cutting back on number of weeks per year of program operation.	5
D. Reducing the number of days per week each child attends.	5
E. Reducing the number of hours per day the child attends.	4
F. Increasing reliance on donations (space, supplies, transportation).	3
G. Finding additional income from federal, state and local sources.	3
H. Moving more children from center-based to a home-based option.	3
I. Changing transportation plans.	3
J. Changing facilities or postponing renovations.*	3
K. Reducing central staff or consolidating coordinators.*	3
L. Cutting number of hours of daily operation.	2
M. Reducing fringe benefits.	2
N. Increasing class size.	1
O. Replacing employees with consultants.	1

* These questions were asked of only 10 directors.

that if policy makers wish to avoid reducing the number of children, they must clearly say so. If directors are given the discretion of choosing the way they will reduce costs, they may well select this option without a National Office warning to the contrary.

Option B, "Giving no raises," is straightforward. If there is no money for cost-of-living increases, the directors will not take money from other line items for this purpose.

Options C, D, E, and L are all ways of reducing services, and are trade-offs to reducing the number of children served. Some may be acceptable to Head Start; some may not. Once again, policy could be set about the level of service that should be supplied by Head Start programs because directors may opt to reduce services in ways which are unacceptable to staff in the national office, if they are given free choice and think they can do nothing else.

Options F and G involve donations. Directors in our sample were not sanguine about increasing reliance on donations of space, supplies or transportation or on finding additional income sources. (Not one director ranked increasing reliance on volunteer staff.) Frequent comments on soliciting donations were "Volunteers can never replace staff," "You can't depend on volunteers for numbers or quality," and "Parents are difficult to get because they are working."

To a direct question about the potential of obtaining increased donations in the future — of increasing leveraging activities -- five directors said there was a potential for loss of donations; eight said donations could be maintained at the same level but not increased, and four said there was some potential for increase. Unfortunately, each of these latter four were hesitant about their reply, stating that "If the county economy continues to improve as in the last five years, Head Start may get some donations," "We may manage more cash through foundations," and "We may do some joint work with two day care centers and Montessori." Since directors have not actively sought increased donations from the private sector, it is difficult to gauge the objective probability of success. But it is clear that directors are pessimistic.

Option H, increased use of the home-based option, was selected by three directors, with caveats. No one can operate a home-based program without a center-based program for children to come to periodically. So, expansion of the home-based option has a limit. In addition, most directors thought that the home-based option was appropriate only for a certain select group of children — for 3-year-olds as an investment in the family before the child comes to the center-based program, for children so physically isolated that the program cannot afford transportation, etc. Directors did not think that this option could decrease costs substantially.

Similarly, Options I, J, and M could only realize small savings. Most directors said that they had already explored ways to reduce transportation, occupancy and fringe benefit charges, and that they had made these areas as economical and efficient as possible. The level of fringe benefits offered staff is not very high now, and reduction simply did not seem feasible.

Option K, "Reducing central staff or consolidating coordinators," was only mentioned by three directors, but this small number is more likely the result of the fact that we did not ask directly about this option. Each of the three directors who mentioned it brought it up spontaneously when asked if there were other ways to change stafffing arrangements and save money. Such restructuring may be a suuggestion and possibility for other programs as well.

It is interesting that only one director ranked Option N, "Increasing class size." When we looked at the class size within the sampled programs, we found generally that attendance on a given day was well below the 20 children limit recommended by Head Start. In fact, if a policy was adopted of encouraging 18 attending children in each classroom (and allowing overenrollment so that 18 would attend most days), sampled programs could serve an additional 865 children, an 18 percent increase over planned enrollment. Certainly there are limits set by space, transportation needs, and state regulations, but changing Head Start policy to encourage overenrollment and considering increased class size may assist in achieving the goal of increasing the enrollment nationally without (at least substantially) increasing costs.

Three items asked of directors were excluded from the table because none endorsed them: decreasing the staff/child ratio; hiring staff for fewer hours per day; and recruiting more volunteers. Directors felt strongly that each was inappropriate, that they were at their limit now.

A Process for Review of Costs

The four criteria of program performance, economy, efficiency, and leveraging have proved especially useful in this reporting of results. Recall that we chose eight performance indicators for this project; many more may be defined in a thorough examination of quality in a program's structural arrangements, interactions among staff and children, and outcomes for children and families. In addition, we chose only one principal indicator for each of the other criteria. For economy, we used annual ACYF cost per child; for efficiency, ACYF cost per child hour of service; and for leveraging ability, percent of total revenue from non-ACYF sources. Certainly in the area of efficiency, many other indices of units of service could be employed.

Taking all four criteria together, we can begin to construct valuable pictures of Head Start programs. Table 5 and Figure 5 demonstrate the process. Table 5 summarizes data on the 16 sampled programs for the four key variables. For economy, efficiency and leveraging it shows the value assigned each program and a rating of that value designating it as very low (VL), low (L), medium (M), high (H), or very high (VH) in comparison to other sampled programs. "Very high" implies highly economical (spending relatively little money annually per child), highly efficient (costing relatively little for each hour of service) or high leveraging (using a relatively large amount of non-ACYF monies to pay for the program). Program performance is indexed by number of items scored at or above a "satisfactory" threshold level.

Figure 5 organizes these data into a chart dividing the sample into significant groups. The steps taken to arrive at these groups are as follows:

(1) All programs were listed first in order of annual cost per child (economy), then by cost per child hour of service (efficiency) and percent of non-ACYF revenue (leveraging).

(2) The points at which major breaks occurred in the distributions were determined and groups of programs were rated low, medium or high on each variable. If an outlier appeared on the end of a distribution, it was called "very low" or "very high."

(3) A score was then attached to the categories by assigning "1" to "very low", "2" to "low", "3" to "medium", "4" to "high", and "5" to "very high." Two sums of scores were then calculated for each program. In the first case, the scores for

Table 5

Major Cost and Performance Measures

Grantee	ACYF Cost Per Child	Rating	ACYF Cost Per Child Hour	Rating	% Non-ACYF Revenue	Rating	Program Performance Index
A1	$2,653	L	$3.49	L	18.2	L	7/7
A2	3,096	L	4.60	VL	31.0	M	8
A3	3,127	L	2.90	L	21.9	L	6
A4	3,511	VL	1.40	H	27.2	M	7
B1	2,813	L	2.45	M	16.1	L	8
B2	1,249	H	3.10	L	27.3	M	4
B3	1,865	M	3.70	L	38.9	H	7
C1	1,114	H	1.16	H	36.1	H	6
C2	1,564	M	1.78	H	31.3	M	8
C3	1,184	H	1.54	H	49.3	VH	7
D	2,044	M	1.91	H	28.1	M	8
E	1,983	M	2.04	H	38.8	H	7
F	1,724	M	2.51	M	37.7	H	6/7
G	2,112	M	3.67	L	26.3	M	7
H	1,697	M	3.18	L	30.9	M	7
I	2,017	M	3.19	L	27.4	M	8

Key to Ratings: VL = Very Large; L = Low; M = Medium; H = High; VH = Very High.

Figure 5

Division of Programs by Cost and Performance Indicators

	Grantee	Economy[a]	Efficiency[a]	Leveraging[a]	Program Performance[b]
Group I: Most Useful to Examine	A3	L	L	L	6
	A1	L	L	L	7/7
	A2	L	VL	M	8
Group II: May be Examined	B1	L	M	L	8
	G	M	L	M	7
	H	M	L	M	7
	I	M	L	M	8
	A4	VL	H	M	7
	B2	H	L	M	4
	B3	M	L	H	7
Group III: Least Useful to Examine	F	M	M	H	6/7
	C2	M	H	M	8
	D	M	H	M	8
	E	M	H	H	7
	C1	H	H	H	6
	C3	H	H	VH	7

[a] The ratings for Economy, Efficiency and Leveraging are as follows: VL = Very Low; L = Low; M = Medium; H = High; VH = Very High.

[b] Program Performance is a sum of 8 indices, each of which is scored as "passed at a satisfactory level" (1 point) or failed (0 points).

each variable were weighted equally. In the second, efficiency was given twice the weight of the others because economy and leveraging were significantly correlated. (Other weighting schemes are certainly possible.)

(4) Figure 5 was prepared as a listing of programs by their total scores from lowest to highest, and adding the program performance index. Lines were drawn to separate programs into groups of differing degrees of potential interest.

On Figure 5, Group I has been labeled "Most Useful to Examine." It contains those three programs which, relative to the rest of the sample, might benefit the most from a close examination of costs. A3 may also have quality issues to be explored. Group II comprises seven programs that scored "low" on one (and in one case two) cost variables. The programs here "May Be Examined" when there is time as they are not operating optimally in a financial sense, but they have fewer potential problem areas than Group I. One program (B2) clearly invites scrutiny as it passed only four of the eight program performance indices. Group III has the programs "Least Useful to Examine" as all scored "medium" or better on each cost variable. Though program performance issues may serve as an invitation for assessment, these programs look like effective managers of cost. It should, of course, be noted that all ratings of cost variables are relative to other programs in the sample. If all Head Start programs were rated, these sample programs might fall into different groups.

It is particularly interesting to note that performance and cost were not related in this sample. The programs with no performance problems (as we defined them) appeared in all three groups; programs with potential quality problems were members of each group. This implies that high cost is not a necessary condition for high quality, but does not suggest that additional funds should not be needed to improve performance in a particular program. Quality and cost issues both may need examination; it is useful to know they do not necessarily drive one another.

Such a classification of programs is a first step in the examination of costs. These indices fill the role of diagnostic tools, identifying programs where further assessment is warranted. This thorough assessment, then, could be in the form of a full-scale examination of costs through the use of detailed questions about program design and personnel and operating costs, like those used in the present study.

One conclusion to be drawn from our preliminary investigations of cost and performance is that such a process could be adopted for all Head Start grantees and delegates. ACYF currently has most of the tools to isolate those programs needing T&TA to increase their economy, efficiency, and leveraging ability. Specifically, once the annual cost per child, the cost per child hour, and, if possible, the non-ACYF share of total revenue are known from the PIR and grants accounting forms, ACYF staff can target technical assistance to those programs that show problematic costs on one or all of these criteria. Such technical assistance could be very detailed for those programs found to be Most Useful to Examine and somewhat more constrained for those found to be "low" on only one criterion. All technical assitance must, of course, consist of a process of negotiation with the grantee to ensure the greatest economy, efficiency and leveraging within a context of satisfactory program performance.

RECOMMENDATIONS

In this final section we present two recommendations from the study and discuss the process by which each recommendation could, if accepted, be put into effect by ACYF.

1. We recommend that ACYF extend its policy guidance to grantees in the process of leveraging resources from non-ACYF sources.

The current policy describing requirements for non-Federal share could be clarified in several ways:

- Grantees could be told who (among their staff) should do additional soliciting of funds and services; to whom such requests should be directed; how much time should be allocated for such activities; and how much money or how high an imputed value such activities are expected to generate.
- The current maxim that ACYF monies should be the dollars of last resort could be explained in more thorough detail so that grantees are aware of as many potential opportunities for non-ACYF funding as possible.
- Grantees should understand that the requirement is for a 20 percent non-Federal share of costs, but that ACYF encourages as large a non-Federal share as possible.
- No penalty should accrue to a grantee with an extensive non-Federal share. That is, it is recommended that ACYF not cut the size of its grant because a grantee is able to leverage other resources. In fact, the agency might consider a reward or incentive for such behavior.

Because this recommendation merely extends a policy already in effect at ACYF, the proposed extension could probably be introduced fully at a national Head Start meeting. Following a thorough discussion of the reasons for the policy clarification, the extension itself, and the advantages of encouraging leveraging, grantees could engage in an exchange of examples of successful activities they have employed.

2. We recommend that ACYF review grantee costs on a case by case basis using the criteria of economy, efficiency, and leveraging, and then provide the necessary technical assistance to programs that are spending above stated levels.

Before such a process could begin in earnest, one particular policy question needs to be addressed: How many hours of service are deemed necessary and sufficient to constitute a program as Head Start?

First, is there a minimum number of hours per day, days per week, or days per year for a program? A decision was made fairly early in the 1970's that a six- to eight-week summer session (30 to 40 days) was insufficient. We found "full-year" programs that offered only 62 days per year. Is the critical amount of time desired any number over 40 days or is it perhaps 100 days? Until a minimum is set, regional staff will find it difficult to suggest that those economical but inefficient programs with few service hours per child should increase services. They need guidance.

Second, is there a maximum number of hours beyond which Head Start should withdraw support from a program? Head Start is not officially in the business of child care for working parents or providing a service for 10 or more hours a day. Yet some Head Start programs (often those judged non-economical but highly efficient) do offer these services, usually because their clientele contains a high proportion of working parents who need such long hours of care. A policy decision about number of hours, accompanied by suggestions about alternative funding sources for those hours in excess of Head Start's, would help regional staff advise programs on increasing economies.

Following this decision, ACYF could begin the process of evaluating grantee costs and isolating those grantees in need of technical assistance.

A new national functional unit costing system. One form of this process would begin with establishing a national functional unit costing system for Head Start. Such a system would assign costs to functional areas uniformly across programs and would include clear definitions of units of service. It would serve as the mechanism for collecting cost data and transferring it to regional offices or to the National Office for analysis. Careful management of these data, that is, sensitive analysis of the relationship of the numbers to indices of program performance, could allow regional or Federal staff to develop standards for judging the reasonableness of costs.

A revised costing system. A second form of the process would be to revise current Head Start reporting forms so that staff could use them to gather cost and service information for evaluation. At a minimum, this might include changing questions on the grants application package and on the quarterly or year-end expenditure reports. The principles guiding such revisions could include:

- Revise the budget line items so that adequate estimates can be made of functional costs.

Grantees now use four to 10 line items in proposing their cost structure. This set could be expanded to provide regional and Federal staff with reasonable cost estimates of direct and support service functional costs.

- Include simple straightforward questions about program services.

The Program Information Report (PIR) currently provides information which could be used to estimate units of service. But the most useful estimates would be those appearing on the same form as the cost information so that decision makers would have a complete set of data before them at the time they need to decide about the reasonableness of costs.

- Gather cost and service information for a year using these new questions and set policy as to "reasonable" costs for grantees with different levels of enrollment in urban, rural, or mixed areas, with home-based or only center-based programs.

The process of setting standards or simply maxima for costs in different categories must be carefully carried through. Grantees need to be economical and efficient in their use of resources and leverage as much additional revenue as possible, but they must also deliver high quality comprehensive services. Any standards or maximum acceptable costs must take account of differing grantee circumstances with respect to the availability of free or low-cost services.

Though these revisions can be suggested as straightforward and simple processes, they will involve considerable time and require clear decisions from many interested parties. Decision makers at all levels of oversight of the Head Start program would have to decide the set of costs that is important to collect — what functions of the program should be defined and costed — as well as the units of service by which functional costs should be divided. Even after a year of collecting data on the revised forms, difficult decisions remain to be made about standards for acceptable costs and the direction of assistance to sites for meeting those standards.

In addition, of course, any revisions to existing reporting forms (let alone the creation of new forms) must receive the approval of OMB. The submission and approval process is sufficiently long that an estimate of two years is not unreasonable before a new system could be expected to deliver the full set of cost information desired.

An initial diagnostic system. A third suggestion of a process which could be instituted begins with the premise that information is needed soon on costs. Though it would be most useful to have complete cost data on all grantees, it would be helpful to have early diagnostic data which could isolate those grantees which might benefit from closer scrutiny. Following diagnosis, a procedure of visiting grantees and examining books with care could be instituted.

The collection of diagnostic information could be done through the use of program performance and cost instruments including the PIR, SAVI, the grant application, and any supplemental grants. From the PIR or SAVI, regional staff could extract performance indicators and the number of hours of contact per year with children in classrooms (this number may need to be checked with the program over the telephone); from the financial information, staff could specify the number of children planned for enrollment and the total amount of the ACYF grant. From these data staff could repeat the efforts of the present project in calculating a program performance index and the economy and efficiency of all programs, constructing a ranking of programs, and selecting those in the less economical, less efficient group (and those with performance problems) for visits or an in-depth study.

Such a process would be advantageous in the speed with which diagnoses could be made and would point staff to the prime candidates for further evaluation. But it does not supply instruments for follow-up; staff would have to devise their own methods of assessing total costs and leveraging ability, and of recasting accounts into a standardized framework until some set of new forms could be cleared through OMB.

This idea of swift diagnosis leading to detailed follow-up directly with the grantee or delegate is particularly pleasing in that the program is involved in the process early on. Recognizing that each grantee differs from every other one in the specific program it offers, it is critical that any examination of costs be prepared to respond to such uniqueness, that the process contain a dialogue between program and regional staff. Each suggestion about revisions in program and cost structure must be reviewed by all concerned parties. Though pressure can be applied for change, the best outcome of review is change embraced by all parties.

Eventually the process of diangosis and in-depth review will have all necessary insruments. With careful use it can result in better fiscal management of Head Start, and perhaps in serving more children for the same cost or improving the program performance for those children being served.

APPENDIX A

INSTRUMENTS

INTERVIEWS

General Instructions

Please note that each page of these instructions is numbered and coded with the letters A, B, C, and/or D. Pages coded

- A are appropriate for grantees which operate their own program and have delegates;
- B for grantees which do not operate their own program, but work solely through delegates;
- C for grantees with their own program, but no delegates; and
- D for delegate agencies.

Please be sure you have the appropriate forms for the kind of agency you will be visiting.

5

Director's Interview

Grantee Name: ______________________ Respondent: ________________

Delegate Name: ______________________ Title: ________________

Address: ______________________ Phone: ( ) ________________

______________________ Interviewer: ________________

______________________ Date: ________________

As you know, we are collecting a considerable amount of data about the current structure and operations of Head Start grantees and delegates. This helps us understand better the different organizational arrangements that programs have found useful and the costs of providing quality services to children and families. We want to know how and why particular divisions of responsibility have come about between grantee and delegate, and among staff, and how programs have responded to past increases and decreases in budgets while maintaining the quality of their programs. Consequently, we want to spend some time asking you how your program has evolved and how it has or can cope with changes in federal funding.

First, let's talk about how the current delegate-grantee relationship has evolved.

1. G: For how many years have you operated as a Head Start grantee? _____

   D: For how many years have you operated as a Head Start delegate? _____

2. G: Have you always had delegates (a delegate)?

   D: Has this program always operated as a delegate under the auspices of ________________(grantee)?

   No _____ (2a) Yes _____

   2a. When did the current arrangement come about?

   2b. Under what kind of arrangement did you operate previously?

3. Are there any other aspects of the history of this project or the Head Start program in this community that will help me in understanding your current operations or the political and budget context within which you must operate?

Now, I'd like to turn to consideration of the way in which administrative and operating responsibilities are divided between grantee and delegate.

4. First, let's consider the division of administrative responsibilities and duties.

   G: What role, for example, do you, as grantee, play in ... and what role does your delegate play?

   D: What role, for example, do you, as delegate, play in ... and what role does your grantee play?

	Grantee	Delegate	How Services Provided (e.g., bulk purchasing, automated accounting, etc.)
Preparing Grant Application:			
Budget Preparation:			
Budget Monitoring and Feedback:			
Management Decisions:			
Day-to-Day:			
Long-Range:			
Purchasing:			
Personnel:			
Reporting:			
Managing Other Federal Monies (e.g., CETA, Title XX, Day Care):			
Monitoring Federal Regulations and Performance Stds:			

5. G: Turning to the 5 program components of Head Start (Education, Health, Nutrition, Social Services, and Parent Involvement), how do you, as grantee, divide responsibilities with your delegate(s) for the delivery of services to clients?

D: Turning to the 5 program components of Head Start (Education, Health, Nutrition, Social Services, and Parent Involvement), how do you, as delegate, divide responsibilities with your grantee for the delivery of services?

	Grantee	**Delegate**	**How Services Provided** (e.g., through a consultant, full-time employee, etc.)
Education:			
Health:			
Nutrition:			
Social Services:			
Parent Involvement:			

6. One way in which Head Start programs vary is in the staffing patterns they utilize--that is, in the relative mix of professionals and paraprofessionals, specialists and generalists, consultants and employees, volunteers and employees, and so on. I'd like to explore with you the way the present staffing structure has come about, along with the degree of flexibility with regard to staffing that you feel you have had for adapting to changing conditions.

   First let me ask you how--in terms of professional/paraprofessional, consultant/employee, specialist/generalist, or other terms you may feel appropriate--you would characterize your present staffing pattern.

7. Have you implemented or attempted to implement other staffing approaches in the past?
   No: _____(8)   Yes: _____(7a)

   7a. What were these approaches?

   7b. What were the results of these staffing patterns, or what advantages and disadvantages did they have relative to your current staffing?

7c. What led you to adopt your present approach to staffing?

8. There have been several ups and downs in the funding of Head Start programs on the federal level over the years. I would like to get a better picture of how programs have responded to these variations. For example, back in 1978 Congress appropriated a generous increase in the Head Start program. I'd like to know whether you received an increase then or at another time and if so, how you used this increase in your program. For example, did you increase the number of children served, create (more) full-day programs, reduce the child/staff ratios with the addition of more paid staff, improve your building, or take other steps?

9. This year's budget may provide for an increase in Head Start funds. I'd like to explore in some detail the options to which you would devote or are considering devoting additional funds. I'll read a list of options relating mostly to staffing and programmatic changes and ask you to indicate if the options are ones you would seriously consider. If so, I'd also like you to indicate whether you consider this improvement in your program a necessity or simply a valuable way to improve the program.

Would you seriously consider...	Yes/ No	Essential/ Nice	Rank	Comments
a. Increasing the number of children served?				
(STAFFING) b. Improving the staff/child ratio through the addition of more paid staff?				
c. Reducing class size through the addition of more classes and more paid staff?				
d. Hiring classroom staff for more hours per day than is now the case?				
e. Replacing some paraprofessionals with professionals?				
f. Replacing some consultants who now only work part-time or as needed, with full-time employees?				
g. Replacing some volunteers with paid staff?				
h. Increasing staff salaries?				
i. Increasing fringe benefits?				
j. Making other staffing or personnel changes--specify: ______________				
(PROGRAMMATIC) k. Allowing more children to remain in the program two or more years?				
l. Increasing the number of hours each day the program operates?				
m. Increasing the number of weeks per year the program operates?				

n. Increasing the number of days per week each child attends?				
o. Increasing the number of hours per day each child attends?				
p. Moving more children from the home-based option to the center-based program?				
q. Adding a home-based option.				
r. Reducing reliance on state, local, or non-Federal funding sources?				
s. Reducing reliance on donations (e.g., space, supplies, transportation)--specify: ________				
t. Increasing the availability of center-provided transportation (buses, vans, etc.)?				
u. Changing food procurement arrangements?				
v. Renovating or improving the building or facilities? w. Other programmatic changes--specify: ____________				

10. You have listed some changes that you would consider making if you had additional funds available. I'd now like you to take this list and look at those changes and rank the top three items you would change.

11. Having discussed the "best possible case"--funding increases--I'd like you to consider "worst possible cases"--funding decreases. I understand that in the last few years inflationary pressures have taken their toll on Head Start. Can you tell me what sorts of strategies you have used in the past to deal with shrinking budgets?

12. Pushing this scenario just a bit further, I'd like you to consider what you will do if your program faces inflationary pressures in the future. Once again, I'll go through a list of possible staffing and programmatic changes for coping with inflationary pressures, and ask you which you would seriously consider, and what problems would be involved in implementing the changes in terms of feasibility, program quality, and potential cost savings.

Would you seriously consider...	Yes/ No	Rank	Impact Feasibility; Quality; Cost
a. Serving fewer children?			
(STAFFING) b. Increasing the child/staff ratio?			
c. Increasing class size while maintaining the desired child/staff ratio through the use of aides?			
d. Hiring classroom staff for fewer hours per day than is now the case?			
e. Replacing some professionals with paraprofessionals?			
f. Replacing some employees with consultants who could be used on a part-time or as-needed basis?			
g. Recruiting more volunteers to replace paid staff?			
h. Giving no raises?			
i. Reducing fringe benefits?			
j. Other staffing or personnel changes--specify: ______________			

(12. cont'd)

	Yes/ No	Rank	Impact Feasibility; Quality; Cost
(PROGRAMMATIC)			
k. Cutting back on the number of hours each day the program operates?			
l. Cutting back on the number of weeks per year the program operates?			
m. Reducing the number of days per week each child attends?			
n. Reducing the number of hours per day each child attends?			
o. Allowing each child to attend for only one year?			
p. Moving more children from the center-based program into the home-based option?			
q. Finding additional income from other Federal, state, or local sources--specify: ____________			
r. Increasing reliance on donations (e.g., space, supplies, transportation)--specify: ____________________			
s. Changing transportation plans (e.g., carpools, parents, or public)--specify: ________________________			
t. Changing food procurement arrangements?			
u. Changing facilities or postponing renovations?			
v. Making other programmatic changes--specify: ______________			

13. You have listed changes that you would consider making. Now I'd like you to take this list and look at those changes and rank the first three you would try.

14. Although Head Start is not being cut, other Federal programs are being cut back which may affect your program.

How do you expect the cuts in the CETA program to affect this program?

15. How will your program be affected by any loss of CSA funding?

(G: Will your delegate(s) need to find a new grantee agency?)

(D: Will you need to find a new grantee agency?)

16. How do you expect the cuts in USDA funding to affect your program?

Now I'd like to learn something about your experience in attempting to obtain donated goods and services for the program. Let's talk first about volunteer staff.

17. What has been the experience of your program in obtaining volunteer staff--that is, in what kinds of positions have you used volunteers, to what extent have you relied on them, and how difficult has it been to recruit them?

18. What has been the experience of your program in obtaining other types of donations--for instance, space, transportation, books, and supplies? To what extent have you relied on such donations and how difficult has it been to obtain them?

19. What would you say is the potential for the continued or increased use of donated goods and services by this program?

20. Finally, we are interested in obtaining some information about the salaries paid to teachers in public schools and local day care centers in the area we are studying.

20a. What is the name of the public school system that includes the area served by this Head Start program? Who should we speak to there, and what is the telephone number?

20b. What are the names of two or three nearby day care centers that operate programs for children of similar backgrounds to your Head Start children?

21. That concludes my prepared questions. Is there anything else you would like to add about Head Start funding needs, cost containment strategies, or any of the other topics we have discussed today?

Grantee Profile

Name: ______________________ Contact: ______________________

Address: ______________________ Title: ______________________

______________________ Phone: ( ) ______________________

____

1. Region (Check one.): I_____ IV_____ VII_____

2. Last fiscal year for which books have been closed: ___/___/___ - ___/___/___
(All remaining questions must reflect this fiscal year.)

3. Was there anything exceptional about the program's income or expenditures in this fiscal year? No: _____ Yes (Explain.): __________

4. Number of delegate agencies: _____

Number of centers administered by: Delegates: _____ Grantee: _____

5. Grantee has CYF-paid staff: No: _____ Yes (Number): _____

6. Area served: Urban: _______ Rural: _______ Both: _______

7. Auspices:

Community Action Agency	_____
School System	_____
Private Non-Profit	_____
Local Government Agency	_____
Other (Specify)	_____ ______________________

8. Enrollment:

	Grantee + Delegates	Grantee's Own Program Only
Total planned in ACYF grant	_____	_____
Total actual	_____	_____

9. Total ACYF monies received for Head Start in fiscal year: $__________
Carry-over balance: $__________

10. Division of ACYF monies between delegates: 1. $__________

2. $__________ 3. $__________ 4. $__________

5. $__________ 6. $__________ 7. $__________

Completed by: ______________________ Date: __________

Code: ABC

Delegate Profile

Name: ____________________ Contact: ____________________

Address: ____________________ Title: ____________________

____________________ Phone: ( ) ________________

____________________ Grantee: ____________________

1. Region (Check one.): I ____ IV ____ VII ____

2. Last fiscal year for which books have been closed: __/__/__-__/__/__
(All remaining questions must reflect this fiscal year.)

3. Was there anything exceptional about the program's income or expenditures in this fiscal year? No.: ____ Yes (Explain.): ____

4. Number of centers: ____

5. Names of centers: 1.________________ 2.________________
3.________________ 4.________________ 5.________________

6. Area served: Urban: ____ Rural: ____ Both: ____

7. Auspices: Community Action Agency ____
School System ____
Private Non-Profit ____
Local Government Agency ____
Other (Specify) ____ ____________________

8. Enrollment: Total planned in ACYF grant ____
Total actual ____

9. Total ACYF monies received for Head Start in fiscal year: $__________
Carry-over balance: $__________

10. Division of ACYF monies between centers: 1. $__________
2. $__________ 3. $__________ 4. $__________
5. $__________

Completed by: ____________________ Date: ________

Code: D

Program Description

Grantee/Delegate Name: ____________________ Completed By: ________________

Address: ____________________________________ Title: ________________

____________________________________ Phone: (   ) ________________

____________________________________ Date: ________________

This section of our data collection instruments requests basic information about your staffing. In the case of delegates and grantees who operate their own programs, we also request information about hours of service and the type of services offered to children and parents.

Our experience indicates that this information can most easily be located and recorded before we arrive, because it often requires data that must be obtained from your records. The staffing information typically comes from payroll or unemployment insurance records. Program data typically comes from the SAVI or PIR.

Please note that this information should be provided only for the fiscal year __/__/__ - __/__/__, the last fiscal year for which (according to our records) you have closed your books. If our records are wrong on this point, PLEASE call Lorie Brush or Barbara Kane at (202) 659-0480.

11. Staff:

Please fill in the table which begins below for each paid staff member who works for Head Start. Please fill in a last name, first initial and job title for each employee.

Check the column that corresponds to the employee's most advanced degree (CDA/AA or BA/MA), and the column indicating if they have had training in Early Childhood Education (E.C.E.). (Training in E.C.E. means having taken a course (standard 3 credit-hours or more), gained a CDA, a bachelor's degree in childhood development, etc. In-service training only counts if it was in the form of a course--many sessions long, with requirements for reading, preparing lessons, etc.)

Finally, please indicate the number of hours for which each employee was paid per week, and the actual number of weeks they were paid in the fiscal year in question.

Name	Title	Degree CDA/AA	Degree BA/MA	Training in ECE	No. Hours Worked Per Week	No. Weeks Worked In FY
1.						
2.						
3.						
4.						

Name	Title	Degree		Training in ECE	No. Hours Worked Per Week	No. Weeks Worked In FY
		CDA/AA	BA/MA			
5.						
6.						
7.						
8.						
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59.						
60.						

Please provide answers to the following questions about the kinds of programs that the Head Start centers which you operate directly offer.

12. Average daily attendance (Percent of children attending): ____________

Source of Information: ____________________

13. Number of children served, by age and program:

	Center-based Program	Home-based Program
Children Under 3		
3-year-olds		
4-year-olds		
5-year-olds		
Children Over 5		

14. Number of children on waiting list: ________

Number of income-eligible children in the area you serve: ____________

15. Meals served (Check all that apply.):

Breakfast ____________

Morning Snack ____________

Afternoon Snack ____________

Dinner ____________

16. Number of children transported to the center (average per day:

Planned ________ Actual ____________

17. Transportation:

Own bus

Rented/donated bus ________

Private cars ________

Other (Specify) ________ ____________________

18. Units of Service:

For each center, each different kind and schedule of program, fill in the chart on the next page. Use enrollment figures* for the one-year period about which cost information is being collected. If this spans two operating years, all information must be prorated so that we can arrive at a reasonably correct figure for number of hours of service.

Please use a slash to differentiate between the two operating years as follows: if the full-day program had 18 children enrolled in one year and 20 in the next, record:

Enrollment 18/20.

Please be especially careful with No. days/yr. to include only the number of days in Year 1 covered by these cost data. For example, if the books covered February 1, 1980 to January 31, 1981, and the operating year ended May 15, 1980 and began again September 20, 1980, you would record (if correct):

No. days/yr. 70/81.

*For the purposes of answering this question, enrollment should reflect the average number of children on the roster for the year and NOT the total number of children who passed through each center or who attended class.

(18. cont'd)

Program	Center 1	Center 2	Center 3	Center 4	Center 5
a. Full-day					
1. Enrollment					
2. No. classes					
3. No. hours/day					
4. No. days/week					
5. No. days/year					
6. No. service hrs. (= 1 x 3 x 5)					
b. Part-day (1)					
1. Enrollment					
2. No. classes					
3. No. hours/day					
4. No. days/week					
5. No. days/year					
6. No. service hrs. (= 1 x 3 x 5)					
c. Part-day (2)					
1. Enrollment					
2. No. classes					
3. No. hours/day					
4. No. days/week					
5. No. days/year					
6. No. service hrs. (= 1 x 3 x 5)					
d. Part-day (3)					
1. Enrollment					
2. No. classes					
3. No. hours/day					
4. No. days/week					
5. No. days/year					
6. No. service hrs. (= 1 x 3 x 5)					
e. Home-based (home visits)					
1. Enrollment					
2. No. hours/visit (exclude travel time)					
3. No. visits/year					
4. No. service hrs. (= 1 x 2 x 3)					
f. Home-based (center attendance)					
1. Enrollment					
2. No. classes					
3. No. hours/day					
4. No. days/month					
5. No. days/year					
6. No. service hrs. (= 1 x 3 x 5)					

Please tell us the source of the above information: Enrollment

No. days/year

Answers to the following questions need not coincide with the fiscal year. The most recent SAVI may be used to answer the following questions. However, please indicate the year upon which the data are based: ___/___/___-___/___/___.

19. Teaching staff/child ratio: 3-year-olds ______
4-year-olds ______
5-year-olds ______

20. Average center-based group size: _____

(Use number of children assigned to the classes displayed in question 18 or SAVI.)

21. Percentage of children completing medical screening appropriate for their age group (= total screened/total enrolled): ______________

22. Percentage of children completing dental examinations: ______________
(= total examined/total enrolled)

23. Percentage of children completing all immunizations: ____________
(= total immunized/total enrolled)

24. Number of families enrolled in the program: ____________

25. Percentage of families whose social services needs were met: __________
(= number served/number needing service; please provide ratio: __________)

26. Percentage of families with at least one parent involved in at least one non-required Head Start activity (e.g., volunteer work, parent education) during the last operating year: ________________

27. **Staff Time by Activity:**

For each group of staff members with the same role (e.g., Teachers, Aides, Bus Drivers, Cooks), each administrative staff member and each coordinator, please fill in the following chart estimating the percentage of time spent in each set of activities in a typical week. Please note that within program components, time should be divided between supervision and preparation (S/P)for activities and direct services (DS) to children and families.

The following guidelines may be helpful:

Administration includes: • Executive direction; • Program planning; • Fund raising; • Advertising; • Legal consultation; • Accounting and Bookkeeping; • Personnel management; • Purchasing; • Central Office service (such as filing, sorting mail, etc.).

Health includes: • Health examinations; • Instruction on health issues; • Arranging for health services.

Nutrition includes: • Meal service and eating with children; • Instruction on nutrition.

Occupancy includes: • Janitorial services; • Maintenance and repairs; • Security services.

Supervision/Preparation includes: • Planning lessons, parent sessions, menus; • Helping teachers and aides deal with classroom/parental problems; • Discussing health, nutrition, social services with coordinators, teachers, family workers, aides; • In general, preparing for direct services to parents and children.

Direct Service includes: only time spent with parents and/or children in the classroom, in the home, making referrals, and other activities.

	Percentage Time Spent In:														
Name	Admin.	Occupancy	Transportation	Education		Health		Nutrition		Social Services		Parental Involve.		Other
				S/P	DS	S/P	DS	S/P	DS	S/P	DS	S/P	DS	
1.															
2.															
3.															
4.															
5.															
6.															
7.															
8.															
9.															
10.															

27. Staff Time by Activity (Continued)

Percentage Time Spent In:

	Name	Admin.	Occupancy	Transportation	Education		Health		Nutrition		Social Services		Parental Involve.		Other
					S/P	D/S	S/P	D/S	S/P	D/S	S/P	D/S	S/P	D/S	
11.															
12.															
13.															
14.															
15.															
16.															
17.															
18.															
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42.															
43.															
44.															
45.															

COST INSTRUMENTS

General Instructions

The cost instruments should be completed for each grantee and each delegate agency. Four worksheets are involved, coded as follows:

A. implies the sheet is designed for grantees operating their own program and administering delegate agencies;

B. is appropriate for grantees not operating their own program but allotting program responsibilities to delegate agencies;

C. means the sheet is applicable to grantees without delegates; and

D. is for delegate agencies themselves.

The code is marked at the bottom of each page. Please be sure you have the correct forms for the kind of agency you will be visiting.

On many of these instruments, you are asked to allocate costs to "functional areas." Five functional areas represent the components of Head Start: Education Services; Health Services; Nutrition Services (including meal service); Social Services; and Parent Involvement (primarily parent education). These should be defined to involve the direct service activities specified in the 1975 Performance Standards. If there is a question about allocation among these services, err on the side of Education Services.

Two functional areas are support services, necessary to the delivery of the direct services: Administration and Occupancy. Please use these categories and the five direct service categories listed above whenever possible. Only use the category labeled "Other" if no reasonable allocation is possible or the functional categories do not apply.

Instructions for Worksheet #1
Income

Head Start grantees are only required to report CYF monies as income and to account for expenditures from these monies. On this worksheet we would like to collect information on all income sources which help to fund aspects of the Head Start program. The first income sources listed on the Worksheet, Payments from Government Sources, should be straightforward. For Other Income, inquire into such sources as special purpose grants from Foundations or other orgnaizations, cash contributions from private donors or charitable groups, and grass-roots fund-raising.

Do not record in-kind contributions; they should be recorded on Worksheet #2. Do not include such supplemental resources as Title XX day care funds if children are considered "Head Start children" in the morning and "Title XX children" in the afternoon; we are only concerned with income and costs for that part of the day when a Head Start program is in operation.

Worksheet #1-AB applies to all grantees with delegates. If possible, the funds being passed through to delegates should be separated from the money the grantee keeps for its own needs. Worksheet #1C applies to grantees without delegates. Worksheet #1D applies to delegate agencies only. Probe to see if the delegate gets any government or other funds directly rather than through the grantee.

Worksheet #1AB

Income
(Cash Only, Exclude In-Kind)

Grantee Name:	______________________	Contact:	____________
		Phone:	( ) ________
Interviewer:	______________________	Date:	____________

	Funds to Delegates	Funds to Grantee	Total
I. Payments from Government Sources:			
A. ACYF — Head Start Funds	$	$	$
B. ACYF — Carry-over Balance	$	$	$
C. USDA Child Care Food Program	$	$	$
D. Other Federal Source (Specify)			
______________	$	$	$
______________	$	$	$
E. State Source (Specify)			
______________	$	$	$
______________	$	$	$
F. Local Source (Specify)			
______________	$	$	$
______________	$	$	$
II. Other Income (Specify)			
______________	$	$	$
______________	$	$	$
______________	$	$	$
______________	$	$	$

Cost Instruments 3-AB

Worksheet #1C

Income

(Cash Only, Exclude In-Kind)

Grantee Name: ______________________ Contact: ______________

Phone: ( ) ______________

Interviewer: ______________________ Date: ______________

	Funds to Grantee
I. Payments from Government Sources:	
A. ACYF — Head Start Funds	$
B. ACYF — Carry-over Balance	$
C. USDA Child Care Food Program	$
D. Other Federal Source (Specify)	
______________	$
______________	$
E. State Source (Specify)	
______________	$
______________	$
F. Local Source (Specify)	
______________	$
______________	$
II. Other Income (Specify):	
______________	$
______________	$
______________	$
______________	$

Cost Instruments 3-C

Worksheet #1D

Income

(Cash Only, Exclude In-Kind)

Delegate Name: ____________________ Contact: ____________________

Grantee Agency: ____________________ Phone: ( ) ____________________

Interviewer: ____________________ Date: ____________________

	Funds Through Grantee	Funds Direct to Delegate	Total
I. Payments from Government Sources:			
A. ACYF -- Head Start Funds	$	$	$
B. ACYF -- Carry-over Balance	$	$	$
C. USDA Child Care Food Program	$	$	$
D. Other Federal Source (Specify)			
____________________	$	$	$
____________________	$	$	$
E. State Source (Specify)			
____________________	$	$	$
____________________	$	$	$
F. Local Source (Specify)			
____________________	$	$	$
____________________	$	$	$
II. Other Income (Specify):			
____________________	$	$	$
____________________	$	$	$
____________________	$	$	$
____________________	$	$	$

Instructions for Worksheet #2
Donated Goods and Services

Head Start grantees are only required to report donations received up to 20 percent of their total cost of service, but many grantees actually receive more donations of time and goods. Most grantees keep time sheets or attendance sheets for their classroom volunteers which should be collected for this worksheet, as should any other records of volunteer service or donated goods. Do not stop your search with information reported to ACYF.

Remember throughout that we are only interested in those goods and services which would have been purchased, had they not been provided gratis. Do not therefore include on this sheet any donations of goods that the grantee or delegate agency would not have purchased on its own or additional volunteering of services beyond the requirement of three adults per classroom and the fulfilling of specific health, nutrition, social services, and parent involvement activities. Ask specifically about each item to confirm that this item would have been purchased otherwise, and check the last column on the worksheet to show the item has been confirmed.

Do not forget to get imputed costs for medical and dental screening and immunizations. They are required by the 1975 Performance Standards. If the grantee and delegate are unsure of these imputed costs, be sure to get the number of the local Public Health Department to determine these costs.

Worksheet #2AB should be used for grantees with delegate agencies, whether or not they operate their own program. Worksheet #2CD should be used for grantees without delegates and delegate agencies.

In Section I list the name of each individual who has provided a professional service free, and describe that service. In Section II list all paraprofessionals and other volunteers who have provided services and the nature of the services provided. In Section III list donated supplies and include their quantity; in Section IV list the type and number of pieces of donated equipment; and in Section V record all "other" donations and their applicable quantities.

Cost Instrument 4-ABCD

Next determine the imputed value of each donated good or service. If you are using Worksheet #2CD, simply record this estimated value. If you are using Worksheet #2AB, decide if the goods or services benefited the grantee or were simply passed along to delegates. If the grantee benefited, record the imputed value in the column headed "Grantee Imputed Value." But if the grantee simply acted as a pass-through, record the value under "Delegate Imputed Value."

In the final column of the worksheet, assign a function code to all services recorded (it is not necessary to do so for "goods").

Determine the appropriate function code which corresponds to the activities of each professional, paraprofessional, and other volunteer listed according to the instructions below. If several codes apply, record them all, along with an approximate breakdown of the percentage of time spent in each function. The Director can help in this task.

Use the following categories to define the function code:

First digit - enter category of payroll as follows:

Delegate Agency (works only for a delegate)	0 _ _
Grantee Umbrella (works only for a grantee; is not responsible to only one delegate; supplies only an indirect service to the program by working with the delegate staff; does not work directly with children and families):	1 _ _
Grantee Direct Service (works for grantee; is not responsible to only one delegate; supplies a direct service to programs by working with children and families):	2 _ _
Grantee - Paid Delegate Staff (on grantee payroll, but works for only one delegate):	3 _ _

Second digit - enter component code as follows:

Education
  Center-based program: _ 1 _
  Home-based program: _ 2 _
Administration
  (all management and executive direction/supervision): _ 3 _
Health Services: _ 4 _
Nutrition Services: _ 5 _
Social Services: _ 6 _
Parent Involvement: _ 7 _
Other (specify) _ 8 _

Third digit - enter function code as follows:

Direct Services
  (includes only face-to-face work with children and families): _ _ 0
Supervision
  (includes time in curriculum development, program planning, supervision of other employees, consultation): _ _ 1

Lastly, sum the imputed values for all items in all sections and record in the row marked TOTAL IMPUTED VALUE.

Worksheet #2AB

Donated Goods and Services

Grantee Name: ______________________ Contact: ______________

Phone: (   ) ______________

Date: ______________

Interviewer: ______________________ Page _____ of _____

Category	Description	Would Have Paid For	Grantee Imputed Value	Delegate Imputed Value	Function Code
I. Professional Services (List individuals)					
II. Paraprofessional and Other Volunteer Services (List individuals)					

III. Supplies (List)

IV. Equipment (List)

V. Other (Specify)

TOTAL IMPUTED VALUE $ ________

Cost Instruments 8-AB

Instructions for Worksheet #3

Personnel Expenses

A separate Personnel Expense form must be completed for each delegate agency and each grantee. Expenses can generally be divided on the basis of where records are kept with one exception. If a Grantee staff member (that is, a staff member paid by the Grantee) serves only one Delegate Agency, the cost of that staff member should appear on the Delegate Agency form.

First complete the information at the top of the page:

Grantee name
Name of Delegate Agency, if appropriate
Your name
Name and telephone number of contact at agency for follow up questions
Date the form is completed
Page number for this form

From personnel or unemployment records obtain a list of all paid employees for the time period of one year corresponding with the fiscal year under study. Also obtain a list of all consultants paid professional fees during this period. For each of these individuals, fill in the following information.

Column A — Name of employee or professional consultant.

Column B -- Job title. If this changed during the period, enter the most recent title.

Column C -- Source of funding for this position. Enter one or more of the following codes as appropriate:

Source	Code	Source	Code
PA 22	01	State Source	07
PA 23	02	Local Government	08
PA 26	03	Public School	09
CETA	04	Private Funds	10
USDA	05	Other Source (Specify) ____________	11
Other Federal	06		

If the staff member is not a regular employee, but is a professional consultant, place an "F" (for Fee) after the two-digit code.

Column D -- Gross salary or expense for the one year period.

Column E -- Total expense for fringe benefits, or, if benefits are determined as a percent of gross salary, the percentage used.

Column F -- Average number of hours worked per week.

Column G -- Number of weeks worked during the period.

Column H -- Function code. From the Director Interview, determine the appropriate function code which corresponds to the activities (not necessarily the job title) performed by each employee. If the employee performs more than one category or function, enter each function code in a separate column labeled "H". Use the following codes.

First digit - enter category of payroll as follows:

Delegate Agency
(works only for a delegate) 0 _ _

Grantee Umbrella
(works only for a grantee; is not responsible to only one delegate; supplies only an indirect service to the program by working with the delegate staff; does not work directly with children and families): 1 _ _

Grantee Direct Service
(work for grantee; is not responsible to only one delegate; supplies a direct service to programs by working with children and families): 2 _ _

Grantee - Paid Delegate Staff
(on grantee payroll, but works for only one delegate): 3 _ _

Second digit -- enter component code as follows:

Education
Center-based program: _ 1 _
Home-based program: _ 2 _

Administration (all management and executive direction/ supervision):	_ 3 _
Health Services:	_ 4 _
Nutrition Services:	_ 5 _
Social Services:	_ 6 _
Parent Involvement:	_ 7 _
Other (specify)	_ 8 _

Third digit - enter function code as follows:

Direct Services (include only face-to-face work with children and families):	_ _ 0
Supervision (includes time in curriculum development, program planning, supervision of other employees, consultation):	_ _ 1

Column I - Enter the percent of time spent in this function during an average week, taken from the Director Interview.

Column J - Record any comments of note.

Column K - Total percentage. Total the percentages of time for each function specified in the Column I's, making sure that the total corresponds to the percent of full time that each employee spends in the program.

When all employees have been accounted for, total Column D and enter the sum on Line L, TOTAL. If the Fringe Benefits are given as costs, total these entries and enter on Line L under Column E. If Fringe Benefits are reported as a percentage of salary, calculate the appropriate cost and enter on Line L, Column E.

Lastly, obtain a figure for cost-of-living/salary increases for 1980/1981 over 1979/1980 and enter it in the space provided at the bottom of the form.

Worksheet #3

Personnel Expenses

Grantee Name: ______________________

Delegate Agency: ______________________

Interviewer: ______________________

Contact: ______________________

Phone: ( ) ______________________

Date: ______________________

Page ________ of ________

A	B	C	D	E	F	G	H	I	J	H	I	J	K
Employee Name	Title	Funding Code	Gross Expense	Fringe Expense	Hrs./ Week	Wks./ Year	Func. Code	% Time	Notes	Func. Code	% Time	Notes	Total

What increases have been allowed for cost of living since the books were closed? ________ %

Worksheet #3
(Continued)

Page ________ **of** ________

Cost Instruments 13-ABCD

A	B	C	D	E	F	G	H	I	J	H	I	J	K
L. TOTAL			$	$									

Instructions for Worksheet #4

Program Operating Expenses

A separate Program Operating Expenses form must be completed for each delegate agency and each grantee that operates its own program. All grantees with delegates must fill out an additional operating expenses worksheet (4G) to summarize grantee administrative expenses. All expenses should be taken from the financial records of the delegate agency or grantee. That is, we are first making the assumption that grantees do not pay bills for items to be used by only one delegate agency, that the delegate agency would pay those bills. Second, we are requiring that all grantee expenses be separated into program-related expenses (to be recorded on Worksheet #4) and administrative expenses (Worksheet #4G). In a later analytic worksheet grantee administrative expenses will be divided among their programs.

First complete the information at the top of the page:

Grantee Name
Name of Delegate Agency, if appropriate
Your Name
Name and telephone number of Contact at agency
  for follow-up questions
Date the form is completed
Page number

From records of expenses, enter the following figures:

Line A -- enter the total amount of non-personnel expenses in Column 1.

Line B -- occupancy costs need to be entered only in Columns 1 and 8. Only individual item costs over $500 need be specified.

Line C -- the program's costs for transporting children to and from the center should be entered in Columns 1 and 8.

Line D -- any staff travel and per diem costs (e.g., to professional meetings, to Head Start-related activities, etc.) paid for by the program should be entered in Column 1. If its purpose was administrative, it should be entered in Column 2. Only if the travel involved training or technical assistance should it be allocated to other programmatic areas.

Line E -- enter the cost of food in Columns 1 and 5.

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Line F -- enter the total cost of purchasing and repairing furniture and equipment in Column 1. Expenses over $500 should be specified and allocated appropriately to Columns 2 through 8. If expenses cannot clearly be allocated, ask the Director to decide on the placement of amounts into functional categories.

Line G -- enter the total spent for supplies in Column 1; label, specify, and allocate expenses over $500 as in Line F.

Line H -- enter the total spent for other contracted services in Column 1; label, specify, and allocate expenses over $500 as in Line F.

Line I -- enter the total spent for "other" expenses in Column 1; label, specify, and allocate expenses over $500 as in Line F.

Add Column 1 Lines B to I. Subtract this total from Column 1 Line A, and record in Column 8 Line A. Then add Columns 2 through 8 and record the totals in Line J. Add Line J totals from Columns 2 through 8 and record on Line K. This number should match the Total Operating Expenses in Column 1 Line A.

Worksheet #4

Program Operating Expenses

Grantee Name: ____________________

Delegate Name: ____________________

Interviewer: ____________________

Contact: ____________________

Phone: (   ) ____________________

Date: ____________________

Page ________ of ________

Category	1 Total	2 Administration	3 Education	4 Health	5 Nutrition	6 Social Services	7 Parent Involvement	8 Other
A. Total Operating Expenses								
B. Occupancy								
Rent								
Depreciation								
Taxes								
Insurance								
Utilities								
Maintenance (Bldg.)								
Other (Specify):								
________________								
________________								
________________								
C. Transportation								
D. Travel (Staff)								
E. Food								

* Place an asterisk next to large items. We will look at a depreciation standard for such items.

Cost Instruments 16-ACD

Grantee Name: ____________________

Worksheet #4 (Cont.)

Page ______ of ______

	1	2	3	4	5	6	7	8
F. Furniture and Equipment*								
______________								
______________								
______________								
______________								
G. Supplies								
______________								
______________								
______________								
______________								
H. Other Contracted Services								
______________								
______________								
______________								
______________								
I. Other (Specify)								
______________								
______________								
______________								
______________								
J. Column Totals	☒							

K. TOTAL OPERATIONAL EXPENSES $__________

Instructions for Worksheet #4G

Grantee Administrative Expenses

This separate expense form must be filled out for all grantees with delegate agencies. It complements Worksheet #4 in that it summarizes those grantee expenses which will be shared among delegates; Worksheet #4 summarizes program-related expenses for those grantees who operate their own programs (and for delegate agencies). Take great care in separating these two sets of grantee expenses. Though these instructions make the assumption that you can separate a grantee's Total Non-Personnel Expenses into administrative and program expenses, it may be the case that you need to separate each other line item, estimate the separation for "other" expenses and then sum to achieve the number in Line A.

First complete the information at the top of the page:

Grantee Name
Your Name
Name and telephone number of Contact at agency for
  follow-up questions
Date the form is completed
Page number

From records of expenses, enter the following figures:

Line A -- enter the total amount of non-personnel expenses attributable to grantee administration in Column 1.

Line B -- occupancy costs should be entered in Columns 1 and 8. Only individual item costs over $500 need be specified. If you are having some trouble separating occupancy costs attributable to the program and those attributable to administrative roles, try to estimate the percentage of space in the facility allotted to administration as your base for spliting occupancy costs.

Line C -- any staff travel and per diem costs should be entered in Column 1, and allocated as appropriate to Columns 2 to 8.

Line D -- enter the total cost of purchasing and repairing furniture and equipment in Column 1. Expenses over $500 should be specified and allocated appropriately to Columns 2 to 8. If expenses cannot clearly be allocated, ask the Director to decide on the placement of amounts into functional categories.

Line E -- enter the total spent for supplies in Column 1; label, specify and allocate expenses over $500 as in Line D.

Line F -- enter the total spent for other contracted services in Column 1; label, specify, and allocate expenses over $500 as in Line D.

Line G -- enter the total spent for "other" expenses in Column 1; label, specify, and allocate expenses over $500 as in Line D.

Add Column 1, Lines B to F. Subtract this total from Column 1, Line A and record the remainder in Column 8 Line A. Then add Columns 2 to 8 and record the totals in Line H. Add Line H totals from Columns 2 to 8 and record on Line I. This number should match the Total Operating Expenses in Column 1 Line A, and reflect all administrative operating expenses for the grantee.

Worksheet #4C

Grantee Administrative Expenses

Grantee Name: ____________________

Interviewer: ____________________

Contact: ____________________

Phone: (   ) ____________________

Date: ____________________

Page: ________ of ________

Category	1 Total	2 Administration	3 Education	4 Health	5 Nutrition	6 Social Services	7 Parent Involvement	8 Other
A. Total Operating Expenses								
B. Occupancy								
Rent								
Depreciation								
Taxes								
Insurance								
Utilities								
Maintenance								
Other (Specify)								
____________								
____________								
C. Travel (Staff)								
D. Furniture and Equipment*								
____________								
____________								
____________								

*Place an asterisk next to large items. We will consider depreciation for these.

Cost Instruments 2C-A3

Worksheet #4C (Cont.)

Grantee Name: ____________________

Page ______ of ______

Category	1	2	3	4	5	6	7	8
E. Supplies								
F. Other Contracted Services								
G. Other (Specify)								
H. Column Totals	X							

I. Total Operating Expenses for Administration $____________

ANALYTIC INSTRUMENTS

General Instructions

Before filling out any of the analytic instruments, check all cost instruments for completeness. Compare all of your answers with those of the other data collectors at each site. Only begin the analysis when you are sure the data are correct.

Four worksheets are included in these instruments, coded in the same manner as previous data collection instruments. Everyone must fill out Worksheet #5 (Personnel Cost Summary). Worksheet #6 (Computation of Center-Based Costs Attributable to Home-Based Services) need only be filled out for those grantees and delegates that operate a home-based program. Worksheet #7 (Distribution of Grantee Management Costs) need only be filled out for grantees with delegate agencies. Worksheet #8 (Summary of Program Functional Costs) should be filled out for all grantees and delegates and is the sheet that culminates in all of the unit costs for which we are searching.

Instructions for Worksheet #5
Personnel Cost Summary

This worksheet summarizes all of the personnel costs and allots them to the appropriate functions. One form should be filled out for each grantee, and one for each delegate agency.

1. Record each employee's name and funding code, taken from Worksheet #3. From that Worksheet, add Column D (Gross Expense) and Column E (Fringe Expense), and enter the total on Worksheet #5, Column 3. If fringe benefit costs are computed on a percentage basis, multiply the amount in Column D (Gross Expense) by the fringe benefit percentage given in Column E, add the resulting cost of fringe benefits to the Gross Expense in Column D and record on Worksheet #5 in Column 3.

2. To calculate personnel costs within each functional area, multiply the total personnel expense in Column 3 by the percentage of time listed under each function code on Worksheet #3, Column I. Enter the resulting costs in the appropriate columns on Worksheet #5, that is, in the columns labeled 010 to 381.

When all personnel costs have been allocated to the appropriate functions, total the costs in Columns 010 through 381, total the cost in Column 3 and check that these totals match each other and the total of Gross Expense (Column D) and Fringe Expense (Column E) on Worksheet #3.

Worksheet #5

Personnel Cost Summary

Grantee Name: ______________________ Date: ______________

Delegate Agency: ______________________ Page ________ of ________

Person Completing Form: ______________________

	1 Employee Name	2 Funding Code	3 Total Expense	010	020	030	040	050	060	070
1.										
2.										
3.										
4.										
5.										
6.										
7.										
8.										
9.										
10.										
11.										
12.										
13.										
14.										
15.										
16.										
17.										
18.										
19.										
20.										
21.										
22.										
23.										
24.										
25.										
26.										
	TOTAL									

Analytic Instruments 2-ABCD

Worksheet #5 (Cont.)

	080	011	021	031	041	051	061	071	081	110	120	130
1.												
2.												
3.												
4.												
5.												
6.												
7.												
8.												
9.												
10.												
11.												
12.												
13.												
14.												
15.												
16.												
17.												
18.												
19.												
20.												
21.												
22.												
23.												
24.												
25.												
26.												
TOTAL												

Worksheet #5 (Cont.)

	140	150	160	170	180	111	121	131	141	151	161	171
1.												
2.												
3.												
4.												
5.												
6.												
7.												
8.												
9.												
10.												
11.												
12.												
13.												
14.												
15.												
16.												
17.												
18.												
19.												
20.												
21.												
22.												
23.												
24.												
25.												
26.												
TOTAL												

Worksheet #5 (Cont.)

	181	210	220	230	240	250	260	270	280	211	221	231
1.												
2.												
3.												
4.												
5.												
6.												
7.												
8.												
9.												
10.												
11.												
12.												
13.												
14.												
15.												
16.												
17.												
18.												
19.												
20.												
21.												
22.												
23.												
24.												
25.												
26.												
TOTAL												

Worksheet #5 (Cont.)

	241	251	261	271	281	310	320	330	340	350	360	370
1.												
2.												
3.												
4.												
5.												
6.												
7.												
8.												
9.												
10.												
11.												
12.												
13.												
14.												
15.												
16.												
17.												
18.												
19.												
20.												
21.												
22.												
23.												
24.												
25.												
26.												
TOTAL												

Worksheet #5 (Cont.)

	380	311	321	331	341	351	361	371	381			
1.												
2.												
3.												
4.												
5.												
6.												
7.												
8.												
9.												
10.												
11.												
12.												
13.												
14.												
15.												
16.												
17.												
18.												
19.												
20.												
21.												
22.												
23.												
24.												
25.												
26.												
TOTAL												

Instructions for Worksheet #6

Computation of Center-Based Costs Attributable to Home-Based Services

This Worksheet is only necessary for programs with home-based services. Two sets of information are required: Worksheet #5 and Question #18 from the Program Description, the calculation of units of service.

From Worksheet #5, add the amounts in columns 010, 011, 310, and 311 to obtain the core personnel costs associated with center-based educational services. Enter this total on Worksheet #6 in Column A, Line 1.

From Worksheet #5, add the amounts in Columns 020, 021, 320, and 321 to obtain the core personnel costs associated with home-based educational services. Enter these costs on Worksheet #6 in Column B, Line 1.

Determine the number of child hours of service in the center-based program from Question #18 of the Program Description by:

1. Multiplying the enrollment in each program type (full-day, part-day (1), part-day (2), and part-day (3) by the number of hours per day of the program by the number of days per year of operation. Be especially careful in these calculations if they require taking pieces of two different operating years to calculate the number of service hours in one budget year.

2. Then sum the service hours derived from each program type, and enter the sum on Worksheet #6 in Column A, Line 2.

To determine the number of child hours of service in the home-based program that are spent in the center, determine the hours of service as above for that part of Question #18 of the Program Description headed "Home-based (center attendance)". Enter the number of service hours on Worksheet #6 in Column B, Line 2.

To determine costs per unit of center-based service, divide Column A, Line 1 by Column A, Line 2 and enter in Column A, Line 3. Then to determine the part of center-based costs attributable to the home-based program, multiply the number of home-based units of service (Column B, Line 2) by the unit cost of center-based service (Column A, Line 3). Enter the total in Column B, Line 4.

Instructions for Worksheet #6 (Cont.)

To correct the center-based service costs, subtract the amount in Column B, Line 4 from the total center-based personnel costs in Column A, Line 1 and enter the result in Column A, Line 5. Finally, to ascertain the correct amount of center-based costs attributable to the home-based program, total Column B, Line 1 and Column B, Line 4 and enter the result in Column B, Line 5.

Worksheet #6

Computation of Center-Based Costs Attributable to Home-Based Services

Grantee Name: ______________________ **Date:** __________

Delegate Agency: ______________________

Person Completing Form: ______________________

	Center-Based Column A	Home-Based Column B
1. Personnel Costs		
2. Units of Service		
3. Cost per Unit of Center-Based Service		╳
4. Attributable Costs	╳	
5. Corrected Costs		

Instructions for Worksheet #7
Distribution of Grantee Management Costs

The purpose of this worksheet is to allow the analyst to divide the grantee management costs among the delegate agencies (and the grantee's own program, if it has one). The assumption on this sheet is that the distribution can be based on the relative costs of the delegate agencies' programs.

From Worksheet #5 (Grantee Personnel Cost Summary), enter:
the Total of cost 111 on Line 1, Column B;
the Total of cost 131 on Line 1, Column C;
the Total of costs 141+151+161+171 on Line 1, Column D;
the Total of cost 181 on Line 1, Column E.
To find the total grantee management personnel costs, total the amounts on Line 1, Columns B to E, and enter on Line 1, Column F.

From Worksheet #4G (Grantee Administrative Expenses), Line H, enter corresponding costs on Line 2, Columns B to E. Total Columns B to E and enter on Line 2, Column F.

Total Lines 1 and 2 within each column to arrive at the total functional costs for grantee management.

Then, from the Grantee Profile, Questions 9 and 10, retrieve the total budgets for each delegate agency, and the total for the grantee (including its delegate costs). Determine the percentage of the grantee's funds which goes to each delegate and record these percentages in Column A for each of the identified delegates. Don't forget the grantee's own program. For each delegate, multiply the percentage in Column A by the costs on Line 3, Columns B to F, and enter the results on the appropriate delegate's line, Columns B to F. These are the costs which should be added to each delegate's costs to account for the grantee's administrative responsibilities.

Worksheet #7

Distribution of Grantee Management Costs

Grantee Name: ______________________ **Date:** __________

Person Completing Form: ______________________

		A	B	C	D	E	F
		Percent	Educ.	Admin.	Direct	Other	Total
1.	Personnel	100					
2.	Operating	100					
3.	Total	100					

Distribution to Delegates:

4.							
5.							
6.							
7.							
8.							
9.							

Instructions for Worksheet #8

Summary of Program Functional Costs

This last worksheet should be filled out for all grantees who run their own programs and for all delegates. It is the place where grantee management costs are allotted to delegates and we arrive at functional unit costs. It also brings together the information on center-based and home-based costs. However, if the program under consideration does not have a home-based component, please note that Columns B and C on the worksheet may be left blank.

The first step is to allocate costs to center- and home-based components through the use of Education costs, as begun on Worksheet #6 (Computation of Center-Based Costs Attributable to Home-Based Services). From Worksheet #6, take the corrected costs for center-based services (Line 5 Column A) and enter on Worksheet #8, Line 1 Column B. Then take the corrected costs for home-based services from Worksheet #6 (Line 5 Column B) and enter on Worksheet #8, Line 1 Column C. Total Line 1 Columns B and C and enter total on Line 1 Column A.

Then transfer the information on units of center-based service from Worksheet #6 to Worksheet #8. Enter the number of center-based units from Worksheet #6 Line 2 Column A on Worksheet #8 Line 2 Column B. To obtain a reasonable estimate of units of home-based service, return to the Program Description, Question #18, and calculate the total number of hours of service in the home; multiply this number by two (since both parent and child are being served); add this number to the total number of hours of service for home-based children in the center (Worksheet #6, Line 2 Column B); and enter this total on Worksheet #8 Line 2 Column C. Total Line 2 Columns B and C, and enter on Line 2 Column A. Please note that we are assuming that each hour the home visitor spends in the home is two hours of service since both mother and child are being served. This is somewhat conservative since siblings may also be involved, though it may also be liberal in that home visits are often cancelled.

Unit Cost Step. To determine the unit cost of these Education Services, divide the cost in Line 1 Column A by the units of service in Line 2 Column A and record the result in Line 3 Column A. Repeat the process for Columns B and C. This step will be repeated later and referred to as the Unit Cost Step.

To establish the division of monies between center- and home-based services, divide Line 1 Column B by Line 1 Column A and enter the resulting percentage on Line 4 Column B. Then divide Line 1 Column C by Line 1 Column A and enter the resulting percentage on Line 4 Column C. Make sure that Line 4 Columns B and C sum to 100.

Temporarily skip Lines 5 to 7.

From Worksheet #5 (Personnel Cost Summary), add Columns 030 and 330; enter the total of these administrative personnel costs on Line 8 Column A.

Allocation Step. To allocate these costs between center- and home-based services, multiply Line 8 Column A by the percentage in Line 4 Column B and enter the resulting center-based cost on Line 8 Column B. Multiply Line 8 Column A by the percentage in Line 4 Column C and enter the resulting home-based cost on Line 8 Column C. This is called the allocation step and is repeated often later.

Instructions for Worksheet #8 (Cont.)

Next, total all personnel expenses within each service category, using the Column Totals from Worksheet #5 as follows:

- Add 040, 041, 240, 241, 340, and 341; enter this total on Line 13, Column A.
- Add 050, 051, 250, 251, 350, and 351; enter this total on Line 16 Column A.
- Add 060, 061, 260, 261, 360, and 361; enter this total on Line 19 Column A.
- Add 070, 071, 270, 271, 370, and 371; enter total on Line 22 Column A.
- Add 080, 081, 280, 281, 380, and 381; enter this total on Line 28, Column A.

For each of these personnel totals, repeat the allocation step.

From Worksheet #4 (Program Operating Expenses), enter the totals for the corresponding functions in Column A:

- Line 5 Education
- Line 9 Administration
- Line 14 Health
- Line 17 Nutrition
- Line 20 Social Services
- Line 23 Parent Involvement
- Line 29 Other

For each of these operating expense totals, repeat allocation step.

Total the personnel and operating costs in Columns A, B and C for each function as follows:

Instructions for Worksheet #8 (Cont.)

- Lines 8 and 9, Administration
- Lines 13 and 14, Health
- Lines 16 and 17, Nutrition
- Lines 19 and 20, Social Services
- Lines 22 and 23, Parent Involvement
- Lines 28 and 29, Other.

Then create the appropriate totals for all direct services. Add Lines 15, 18, 21 and 24 and enter the column totals on Line 25, being sure to fill Columns A, B and C.

Now, for Lines 6, 10, 25 and 30 (Total Costs), repeat the Unit Cost Step. The units of service remain constant throughout this worksheet, and simply need to be copied from Line 2.

Sum the costs on Lines 6, 10, 25, and 30 and enter the totals of these costs on Line 33. Repeat the Unit Cost Step. From Worksheet #7 (Distribution of Grantee Management Costs) take this delegate's share as reported in Column F and enter that amount on Worksheet #8 Line 36 Column A. Repeat Allocation Step. Total costs on Lines 33 and 36, and enter this Grand Total on Line 37. Repeat Unit Cost Step to arrive at a summary unit cost for the delegate. (If desired, Grantee Management Costs for each function can be taken from Columns B to E on Worksheet #7 and added to the costs of each function on Worksheet #8.)

Worksheet #8

Summary of Program Functional Costs

Grantee Name: Date:

Delegate Agency:

Person Completing Form:

Function	A Total Cost	B Center-Based Cost	C Home-Based Cost
1. Education Cost			
2. Units of service			
3. Cost/Unit			
4. Percent of Total	100		
5. Operating Costs			
6. Total Education			
7. Cost/Unit			
Administration			
8. Personnel			
9. Operating			
10. Total Administration			
11. Units of Service			
12. Cost/Unit			
Direct Services			
Health			
13. Personnel			
14. Operating			
15. Total Health			

Worksheet #8 (Cont.)

Nutrition

16. Personnel ____________ ____________ ____________

17. Operating ____________ ____________ ____________

18. Total Nutrition ____________ ____________ ____________

Social Services

19. Personnel ____________ ____________ ____________

20. Operating ____________ ____________ ____________

21. Total Social Service ____________ ____________ ____________

Parent Involvement

22. Personnel ____________ ____________ ____________

23. Operating ____________ ____________ ____________

24. Total Parent Inv. ____________ ____________ ____________

25. Total Direct Service ____________ ____________ ____________

26. Units of Service ____________ ____________ ____________

27. Cost/Unit ____________ ____________ ____________

Other

28. Personnel ____________ ____________ ____________

29. Operating ____________ ____________ ____________

30. Total Other ____________ ____________ ____________

31. Units of Service ____________ ____________ ____________

32. Cost/Unit ____________ ____________ ____________

33. Total All ____________ ____________ ____________

34. Units of Service ____________ ____________ ____________

35. Cost/Unit ____________ ____________ ____________

36. Grantee Management ____________ ____________ ____________

Worksheet #8 (Cont.)

37. Grand Total ____________ ____________ ____________

38. Units of Service ____________ ____________ ____________

39. Cost/Unit ____________ ____________ ____________

APPENDIX B

SUMMARY DATA TABLES

Table B.1

Total Revenue

Grantee	ACYF	USDA	CSA	CETA/YETP	Other Cash	Other In-Kind	Total
A1	4,430,743 (81.8)	133,905 (2.5)	60,796* (1.1)	—	—	793,027 (14.6)	5,418,471
A2	334,368 (69.0)	33,498 (6.9)	21,619* (4.5)	—	—	95,036 (19.6)	484,521
A3	225,158 (78.1)	16,000 (5.5)	—	—	19,045 (6.6)	28,130 (9.8)	288,333
A4	186,086 (72.8)	19,180 (7.5)	—	—	1,445 (0.6)	48,972 (19.1)	255,683
B1	681,690 (83.9)	22,734* (2.8)	—	—	94 (0.0)	108,203 (13.3)	812,721
B2	786,899 (72.7)	48,937* (4.5)	—	—	—	246,957 (22.8)	1,082,793
B3	279,697 (61.1)	14,240* (3.1)	—	—	—	163,700 (35.8)	457,637
C1	556,904 (63.9)	132,845* (15.2)	5,213* (0.6)	—	—	176,885 (20.3)	871,847
C2	300,314 (68.7)	36,965* (8.5)	2,821* (0.7)	5,332* (1.2)	—	91,411 (20.9)	436,843
C3	118,445 (50.7)	12,913* (5.5)	1,109* (0.5)	—	—	101,071 (43.3)	233,538
D	173,706 (71.9)	24,244 (10.0)	—	—	3,068 (1.3)	40,531 (16.8)	241,549
E	388,536 (61.2)	50,501 (8.0)	3,312* (1.4)	—	—	186,744 (29.4)	634,593
F	425,423 (62.3)	66,611 (9.7)	10,789* (1.6)	60,432* (8.8)	—	119,943 (17.6)	683,198
G	348,479 (73.8)	28,523 (6.0)	—	—	7,407 (1.6)	88,106 (18.6)	472,515
H	195,142 (69.1)	23,641 (8.4)	4,704* (1.7)	325* (0.1)	4,369 (1.5)	54,294 (19.2)	282,475
I	369,197 (72.6)	32,811 (6.4)	1,358* (0.3)	—	14,579 (2.9)	90,304 (17.8)	508,249
Median	341,424	30,667	1,234	0	0	98,054	478,513
Mean	612,555 (74.4)	43,597 (5.3)	7,326 (.9)	4,130 (.5)	3,125 (.4)	152,082 (18.5)	822,317
Range	118,445 4,430,743	12,913 133,905	0 60,796	0 60,432	0 19,045	28,130 793,027	233,538 5,418,471

* These monies do not come to the programs in the form of cash, but as services paid for by a third party.

Table B.2

Donated Goods and Services*: Line Item Breakdown

Grantee	Prof. Serv.	Paraprof. Serv.	Space/ Utilities	Supplies/ Equipment	USDA Food	Trans.	Other	Total
A1	106,160	106,250	598,807	16,136	---	18,295	8,175	853,823
	(12.4)	(12.5)	(70.1)	(1.9)		(2.1)	(1.0)	
A2	23,954	8,201	84,500	---	---	---	---	116,655
	(20.5)	(7.0)	(72.5)					
A3	2,922	13,826	11,022	260	---	100	---	28,130
	(10.4)	(49.1)	(39.2)	(0.9)		(0.4)		
A4	16,127	6,345	26,400	100	---	---	---	48,972
	(32.9)	(13.0)	(53.9)	(0.2)				
B1	3,279	11,280	89,692	3,952	22,734	---	---	130,937
	(2.5)	(8.6)	(68.5)	(3.0)	(17.4)			
B2	15,021	16,934	201,032	13,970	48,937	---	---	295,894
	(5.1)	(5.7)	(68.0)	(4.7)	(16.5)			
B3	14,274	6,667	112,113	10,085	14,240	---	20,561	177,940
	(8.0)	(3.7)	(63.0)	(5.7)	(8.0)		(11.6)	
C1	14,289	52,963	76,446	---	132,845	38,400	---	314,943
	(4.5)	(16.8)	(24.3)		(42.2)	(12.2)		
C2	3,056	42,316	50,376	3,816	36,965	---	---	136,529
	(2.2)	(31.0)	(36.9)	(2.8)	(27.1)			
C3	2,202	15,439	58,347	---	12,913	17,950	8,242	115,093
	(1.9)	(13.4)	(50.7)		(11.2)	(15.6)	(7.2)	
D	656	5,891	30,449	2,456	---	1,079	---	40,531
	(1.6)	(14.5)	(75.1)	(6.1)		(2.7)		
E	14,893	4,312	174,091	2,260	---	---	---	195,556
	(7.6)	(2.2)	(89.0)	(1.2)				
F	10,889	105,520	60,953	12,213	---	482	1,107	191,164
	(5.7)	(55.2)	(31.9)	(6.4)		(0.2)	(0.6)	
G	15,720	30,516	39,070	2,695	5	---	---	88,106
	(17.8)	(34.8)	(44.3)	(3.1)				
H	4,937	31,030	21,871	1,160	---	---	---	58,999
	(8.4)	(52.6)	(37.1)	(1.9)				
I	2,749	40,830	40,857	7,226	---	---	---	91,662
	(3.0)	(44.5)	(44.6)	(7.9)				

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* These include "contributions" from Federal sources like CSA, CETA and USDA which are not cash income to Head Start, but are services paid to a third party for Head Start.

Table B.3

Donated Goods and Services: Functional Breakdown

Grantee	Admin.	Occup.	Trans.	Educ.	Health	Nutri.	S.S.	P.I.	Total
A1	65,684 (7.7)	600,734 (70.3)	15,928 (1.9)	81,752 (9.6)	46,286 (5.4)	26,683 (3.1)	13,556 (1.6)	3,200 (0.4)	853,823
A2	19,619 (16.8)	84,500 (72.4)	---	5,698 (4.9)	6,647 (5.7)	191 (0.2)	---	---	116,655
A3	1,868 (6.6)	11,022 (39.2)	3,519 (12.5)	9,119 (32.4)	896 (3.2)	1,706 (6.1)	---	---	28,130
A4	16,127 (32.9)	28,241 (57.7)	---	4,559 (9.3)	---	45 (0.1)	---	---	48,972
B1	---	89,692 (68.5)	---	15,397 (11.7)	3,114 (2.4)	22,734* (17.4)	---	---	130,937
B2	10,678 (3.6)	201,392 (68.1)	---	29,324 (9.9)	1,815 (0.6)	50,523* (17.1)	2,162 (0.7)	---	295,894
B3	25,163 (14.1)	112,173 (63.1)	---	13,029 (7.3)	9,419 (5.3)	17,585* (9.9)	548 (0.3)	23	177,940
C1	5,213 (1.7)	88,646 (28.1)	38,400 (12.2)	43,263 (13.7)	5,785 (1.8)	132,845* (42.2)	---	791 (0.3)	314,943
C2	3,292 (2.4)	55,614 (40.7)	12,046 (8.8)	9,326 (6.8)	5,567 (4.1)	50,213* (36.8)	471 (0.4)	---	136,529
C3	9,351 (8.1)	59,824 (52.1)	17,950 (15.6)	12,000 (10.4)	1,093 (0.9)	14,375* (12.9)	---	---	115,093
D	737 (1.8)	30,449 (75.1)	554 (1.4)	7,119 (17.5)	356 (0.9)	791 (2.0)	---	525 (1.3)	40,531
E	8,812 (4.5)	174,106 (89.0)	---	5,412 (2.8)	6,426 (3.3)	---	800 (0.4)	---	195,556
F	5,121 (2.7)	66,660 (34.9)	1,032 (0.5)	108,033 (56.5)	5,712 (3.0)	1,893 (1.0)	2,713 (1.4)	---	191,164
G	15	39,070 (44.3)	5	33,296 (37.9)	15,720 (17.8)	---	---	---	58,136
H	4,704 (8.0)	21,871 (37.1)	1,025 (1.7)	29,093 (49.3)	198 (0.3)	2,107 (3.6)	---	---	58,998
I	1,523 (1.7)	40,857 (44.5)	---	47,315 (51.6)	1,914 (2.1)	---	53 (0.1)	---	91,662

* Includes USDA funding.

Table B.4

Cash Expenditures per Funded Child: Line Item Breakdown

Grantee	Personnel	Fringes	Occup.	Child Travel	Staff Travel	Food	Equip.	Supplies	Other Serv.	Other	Total
A1	1,402	283	285	133	13	178	35	71	61	272	2,733
	(51.3)	(10.4)	(10.4)	(4.9)	(0.4)	(6.5)	(1.3)	(2.6)	(2.3)	(9.9)	
A2	1,965	331	273	39	18	223	4	135	90	328	3,406
	(57.8)	(9.7)	(8.0)	(1.1)	(0.5)	(6.6)	(0.1)	(4.0)	(2.6)	(9.6)	
A3	1,949	394	348	153	25	243	4	55	62	380	3,614
	(54.0)	(11.0)	(9.6)	(4.2)	(0.7)	(6.7)	(0.1)	(1.5)	(1.7)	(10.5)	
A4	2,308	467	139	112	15	272	15	139	67	368	3,902
	(59.0)	(12.0)	(3.6)	(2.9)	(0.4)	(7.0)	(0.4)	(3.6)	(1.7)	(9.4)	
B1-Ctr	1,592	245	207	281	55	-0-	80	71	237	44	2,812
	(56.6)	(8.7)	(7.4)	(10.0)	(2.0)	(0.0)	(2.9)	(2.5)	(8.4)	(1.5)	
B2	785	148	12	148	16	20	42	45	32	1	1,249
	(62.7)	(11.9)	(1.0)	(11.9)	(1.3)	(1.6)	(3.3)	(3.6)	(2.6)	(0.1)	
B3	1,182	107	63	188	20	85	15	43	75	85	1,864
	(63.3)	(5.8)	(3.4)	(10.1)	(1.1)	(4.5)	(0.8)	(2.3)	(4.1)	(4.6)	
C1	730	93	14	28	45	3	55	50	81	15	1,114
	(65.5)	(8.3)	(1.3)	(2.5)	(4.0)	(0.3)	(4.9)	(4.5)	(7.3)	(1.4)	
C2	963	137	46	145	47	21	48	42	91	20	1,560
	(61.7)	(8.8)	(3.0)	(9.3)	(3.0)	(1.3)	(3.1)	(2.7)	(5.8)	(1.3)	
C3	749	102	31	43	62	35	36	35	74	17	1,184
	(63.3)	(8.6)	(2.6)	(3.6)	(5.2)	(3.0)	(3.0)	(3.0)	(6.3)	(1.4)	
D	1,565	235	52	27	26	191	52	140	63	14	2,365
	(66.2)	(9.9)	(2.2)	(1.1)	(1.1)	(8.1)	(2.2)	(5.9)	(2.7)	(0.6)	
E	1,185	218	119	87	18	206	129	118	143	10	2,233
	(53.0)	(9.8)	(5.3)	(3.9)	(0.8)	(9.2)	(5.8)	(5.3)	(6.4)	(0.5)	
F-Ctr	1,222	185	135	78	40	254	18	51	43	4	2,030
	(60.2)	(9.1)	(6.6)	(3.9)	(2.0)	(12.5)	(0.9)	(2.5)	(2.1)	(0.2)	
G	1,195	130	183	250	65	123	157	175	39	15	2,333
	(51.1)	(5.6)	(7.9)	(10.7)	(2.8)	(5.3)	(6.7)	(7.5)	(1.7)	(0.7)	
H	976	123	97	191	60	187	52	151	86	13	1,936
	(50.3)	(6.4)	(5.0)	(9.9)	(3.1)	(9.7)	(2.7)	(7.8)	(4.4)	(0.7)	
I	1,303	191	125	142	34	121	140	105	32	82	2,275
	(57.4)	(8.4)	(5.5)	(6.2)	(1.5)	(5.3)	(6.1)	(4.6)	(1.4)	(3.6)	
B1-Home	774	119	---	---	149	---	---	32	67	15	1,156
	(67.0)	(10.3)			(12.8)			(2.8)	(5.8)	(1.3)	
F-Home 737	119	54	49	162	63	6	49	41	1	1,336	
	(58.9)	(8.9)	(4.0)	(3.6)	(12.2)	(5.1)	(0.5)	(3.6)	(3.1)	(0.1)	

Table B.5

Cash Expenditures per Funded Child: Functional Breakdown

Grantee	Admin.	Occup.	Trans.	Educ.	Health	Nutri.	S.S.	P.I.	Other	Total
A1	457	338	212	644	279	488	200	115	---	2,733
	(16.7)	(12.4)	(7.8)	(23.6)	(10.2)	(17.8)	(7.3)	(4.2)		
A2	546	382	144	832	317	603	322	250	---	3,406
	(16.0)	(11.2)	(4.2)	(24.5)	(9.3)	(17.8)	(9.4)	(7.6)		
A3	686	449	160	1,006	210	632	249	222	---	3,614
	(19.0)	(12.4)	(4.4)	(27.8)	(5.8)	(17.5)	(6.9)	(6.2)		
A4	735	334	116	1,241	251	812	196	217	---	3,902
	(18.8)	(8.5)	(3.0)	(31.8)	(6.5)	(20.8)	(5.1)	(5.5)		
B1-Ctr	670	250	502	629	229	271	121	120	20	2,812
	(23.8)	(8.9)	(17.9)	(22.4)	(8.1)	(9.6)	(4.3)	(4.3)	(0.7)	
B2	120	63	240	369	167	91	60	138	1	1,249
	(9.6)	(5.0)	(19.2)	(29.5)	(13.4)	(7.3)	(4.8)	(11.1)	(0.1)	
B3	330	158	215	471	320	237	63	64	6	1,864
	(17.7)	(8.5)	(11.5)	(25.3)	(17.2)	(12.7)	(3.4)	(3.4)	(0.3)	
C1	113	28	135	368	209	71	93	86	11	1,114
	(10.2)	(2.5)	(12.1)	(33.0)	(18.8)	(6.4)	(8.3)	(7.7)	(1.0)	
C2	115	129	433	516	198	59	44	51	15	1,560
	(7.4)	(8.3)	(27.7)	(33.1)	(12.7)	(3.8)	(2.8)	(3.3)	(0.9)	
C3	186	55	161	189	213	154	106	109	11	1,184
	(15.7)	(4.6)	(13.6)	(16.0)	(18.0)	(13.0)	(9.0)	(9.2)	(0.9)	
D	416	140	66	922	91	423	113	184	10	2,365
	(17.6)	(5.9)	(2.8)	(39.0)	(3.8)	(17.9)	(4.8)	(7.8)	(0.4)	
E	341	129	266	653	245	481	59	59		2,233
	(15.3)	(5.8)	(11.9)	(29.3)	(11.0)	(21.5)	(2.6)	(2.6)		
F-Ctr	211	218	164	584	202	493	81	76	1	2,030
	(10.4)	(10.7)	(8.1)	(28.8)	(9.9)	(24.3)	(4.0)	(3.7)	(0.1)	
G	254	193	406	651	132	444	83	169	1	2,333
	(10.9)	(8.3)	(17.4)	(28.0)	(5.6)	(19.0)	(3.6)	(7.2)		
H	198	136	345	438	177	398	121	118	6	1,937
	(10.2)	(7.0)	(17.8)	(22.6)	(9.1)	(20.6)	(6.3)	(6.1)	(0.3)	
I	282	162	441	588	202	363	96	135	6	2,275
	(12.4)	(7.1)	(19.4)	(25.8)	(8.9)	(16.0)	(4.2)	(5.9)	(0.3)	
B1-Home	136	9	149	326	191	4	233	108		1,156
	(11.8)	(0.7)	(12.8)	(28.2)	(16.6)	(0.4)	(20.2)	(9.3)		
F-Home	57	72	221	507	116	118	229	13	3	1,336
	(4.3)	(5.4)	(16.5)	(37.9)	(8.7)	(8.8)	(17.2)	(1.0)	(0.2)	

Table B.6

Total Cost of Program per Funded Child: Line Item Breakdown

Grantee	Personnel	Fringes	Occup.	Child Travel	Staff Travel	Food	Equip.	Supplies	Other Serv.	Other	Total
A1	1,529	283	644	133	13	178	46	81	61	277	3,245
	(47.2)	(8.7)	(19.8)	(4.1)	(0.4)	(5.5)	(1.4)	(2.5)	(1.9)	(8.5)	
A2	2,262	331	1,056	39	18	223	4	135	90	328	4,486
	(50.4)	(7.4)	(23.5)	(0.9)	(0.4)	(5.0)	(0.1)	(3.0)	(2.0)	(7.3)	
A3	2,181	394	501	155	26	243	4	59	62	380	4,005
	(54.5)	(9.8)	(12.5)	(3.9)	(0.6)	(6.1)	(0.1)	(1.5)	(1.5)	(9.5)	
A4	2,732	467	637	112	15	272	15	141	67	368	4,826
	(56.6)	(9.7)	(13.2)	(2.3)	(0.3)	(5.7)	(0.3)	(2.9)	(1.4)	(7.6)	
B1-Ctr	1,655	245	587	281	55	99	80	88	237	44	3,371
	(49.1)	(7.3)	(17.4)	(8.3)	(1.6)	(2.9)	(2.4)	(2.6)	(7.1)	(1.3)	
B2	836	149	331	148	15	100	42	64	32	1	1,719
	(48.6)	(8.7)	(19.3)	(8.6)	(0.9)	(5.8)	(2.4)	(3.7)	(1.9)	(0.1)	
B3	1,321	107	810	188	20	180	15	111	75	223	3,050
	(43.3)	(3.5)	(26.5)	(6.2)	(0.7)	(5.9)	(0.5)	(3.6)	(2.5)	(7.3)	
C1	864	93	167	105	45	269	55	50	81	15	1,744
	(49.5)	(5.3)	(9.6)	(6.0)	(2.6)	(15.4)	(3.2)	(2.9)	(4.6)	(0.9)	
C2	1,200	137	309	145	47	213	68	42	91	20	2,272
	(52.8)	(6.0)	(13.6)	(6.4)	(2.1)	(9.4)	(3.0)	(1.8)	(4.0)	(0.9)	
C3	925	184	614	223	62	165	36	35	74	17	2,335
	(39.6)	(7.9)	(26.3)	(9.5)	(2.7)	(7.1)	(1.5)	(1.5)	(3.2)	(0.7)	
D	1,642	235	411	33	32	191	52	169	63	14	2,842
	(57.8)	(8.3)	(14.5)	(1.2)	(1.1)	(6.7)	(1.8)	(5.9)	(2.2)	(0.5)	
E	1,283	218	1,007	87	18	206	130	129	143	10	3,231
	(39.7)	(6.7)	(31.2)	(2.7)	(0.6)	(6.4)	(4.0)	(4.0)	(4.4)	(0.3)	
F-Ctr	1,745	185	413	81	40	254	18	98	43	9	2,886
	(60.5)	(6.4)	(14.3)	(2.8)	(1.4)	(8.8)	(0.6)	(3.4)	(1.5)	(0.3)	
G	1,476	130	420	250	65	123	157	191	39	15	2,867
	(51.5)	(4.5)	(14.6)	(8.7)	(2.3)	(4.3)	(5.5)	(6.7)	(1.4)	(0.5)	
H	1,289	123	287	191	60	195	52	154	86	13	2,450
	(52.6)	(5.0)	(11.7)	(7.8)	(2.5)	(8.0)	(2.1)	(6.3)	(3.5)	(0.5)	
I	1,541	191	348	142	34	121	140	144	32	82	2,775
	(55.5)	(6.9)	(12.5)	(5.1)	(1.2)	(4.4)	(5.0)	(5.2)	(1.2)	(3.0)	
B1-Home	774	119	76		149			32	67	15	1,232
	(62.8)	(9.7)	(6.2)		(12.1)			(2.6)	(5.4)	(1.2)	
F-Home	920	119	102	49	162	68	6	94	41	1	1,562
	(58.9)	(7.6)	(6.5)	(3.1)	(10.4)	(4.4)	(0.4)	(6.0)	(2.6)	(0.1)	

Table B.7

Total Cost of Program per Funded Child: Functional Breakdown

Grantee	Admin.	Occup.	Trans.	Educ.	Health	Nutri.	S.S.	P.I.	Other	Total
A1	496	698	222	693	307	504	208	117	---	3,245
	(15.3)	(21.5)	(6.8)	(21.4)	(9.5)	(15.5)	(6.4)	(3.6)		
A2	728	1,164	144	885	378	605	322	260	---	4,486
	(16.2)	(26.0)	(3.2)	(19.7)	(8.4)	(13.5)	(7.2)	(5.8)		
A3	711	602	208	1,133	223	656	249	223	---	4,005
	(17.8)	(15.0)	(5.2)	(28.2)	(5.6)	(16.4)	(6.2)	(5.6)		
A4	1,039	866	117	1,327	251	813	196	217	---	4,826
	(21.5)	(18.0)	(2.4)	(27.4)	(5.2)	(16.9)	(4.1)	(4.5)		
B1-Ctr	670	630	502	696	242	370	121	120	20	3,371
	(19.9)	(18.7)	(14.9)	(20.6)	(7.2)	(11.0)	(3.6)	(3.5)	(0.6)	
B2	137	382	240	415	170	172	64	138	1	1,719
	(8.0)	(22.2)	(14.0)	(24.2)	(9.9)	(10.0)	(3.7)	(8.0)		
B3	497	906	215	558	383	354	67	64	6	3,050
	(16.3)	(29.7)	(7.1)	(18.3)	(12.5)	(11.6)	(2.2)	(2.1)	(0.2)	
C1	123	206	212	455	220	337	93	87	11	1,744
	(7.1)	(11.8)	(12.2)	(26.0)	(12.6)	(19.3)	(5.4)	(5.0)	(0.6)	
C2	132	419	496	565	227	320	47	51	15	2,272
	(5.8)	(18.4)	(21.8)	(24.9)	(10.0)	(14.1)	(2.0)	(2.3)	(0.7)	
C3	280	653	340	309	224	303	106	109	11	2,335
	(12.0)	(27.9)	(14.6)	(13.2)	(9.6)	(13.0)	(4.5)	(4.7)	(0.5)	
D	424	498	73	1,006	96	432	113	190	10	2,842
	(14.9)	(17.5)	(2.6)	(35.4)	(3.4)	(15.2)	(4.0)	(6.7)	(0.3)	
E	386	1,018	266	681	278	481	62	59	---	3,231
	(12.0)	(31.5)	(8.2)	(21.1)	(8.6)	(14.9)	(1.9)	(1.8)		
F-Ctr	236	516	169	1,066	228	502	92	76	1	2,886
	(8.2)	(17.9)	(5.8)	(37.0)	(7.9)	(17.4)	(3.2)	(2.6)		
G	254	430	406	853	227	444	83	169	1	2,867
	(8.9)	(15.0)	(14.2)	(29.7)	(7.9)	(15.5)	(2.9)	(5.9)		
H	239	326	353	691	179	417	121	118	6	2,450
	(9.7)	(13.3)	(14.4)	(28.3)	(7.3)	(17.0)	(4.9)	(4.8)	(0.3)	
I	290	385	441	847	212	363	97	134	6	2,775
	(10.4)	(13.9)	(15.9)	(30.5)	(7.6)	(13.1)	(3.5)	(4.8)	(0.3)	
B1-Home	136	84	149	326	191	5	233	108	---	1,232
	(11.0)	(6.9)	(12.1)	(26.5)	(15.5)	(0.4)	(18.9)	(8.7)		
F-Home	57	150	221	642	120	118	238	13	3	1,562
	(3.7)	(9.6)	(14.1)	(41.1)	(7.7)	(7.6)	(15.2)	(0.8)	(0.2)	

Table B.8

Annual Revenue per Funded Child

Grantee	ACYF Cost	Total Federal Cost	Total Cost
A1	2,653	2,690	3,245
A2	3,096	3,606	4,486
A3	3,127	3,349	4,005
A4	3,511	3,873	4,824
B1-Ctr	2,813	2,912	3,373
B2	1,249	1,327	1,719
B3	1,865	1,960	3,051
C1	1,114	1,390	1,744
C2	1,564	1,799	2,275
C3	1,184	1,325	2,335
D	2,044	2,329	2,842
E	1,933	2,285	3,238
F-Ctr	1,724	2,364	2,881
G	2,112	2,285	2,864
H	1,697	1,946	2,456
I	2,017	2,204	2,777
B1-Home	1,156	1,156	1,232
F-Home	1,268	1,336	1,562
Mean-Ctr	2,110	2,353	3,007
Range-Ctr	1,114 - 3,511	1,325 - 3,873	1,719 - 4,324

Table B.9

Annual Revenue per Funded Child

Grantee	Total ACYF Cost	Federal Cost	Total Cost
A1	3.49	3.53	4.26
A2	4.60	5.33	5.64
A3	2.90	3.10	3.71
A4	1.40	1.55	1.93
B1-Ctr	2.45	2.53	2.93
B2	3.10	3.29	4.26
B3	3.70	3.89	5.05
C1	1.16	1.45	1.82
C2	1.78	2.05	2.59
C3	1.54	[illegible].72	3.04
D	1.91	2.[illegible]8	2.66
E	2.04	2.35	3.33
F-Ctr	2.51	3.44	4.19
G	3.67	3.97	4.98
H	3.18	3.65	4.60
I	3.19	3.49	4.43
B1-Home	17.11	17.11	18.24
F-Home	5.73	6.04	7.07
Mean - Ctr	2.66	2.97	3.94
Range - Ctr	1.16 - 4.60	1.45 - 5.33	1.82 - 5.64

APPENDIX C

GRANTEE RESPONSES
TO
DRAFT FINAL REPORT

All participating grantees were sent the draft Final Report and asked to comment. Three grantee directors and one director of a delegate agency took advantage of this offer. In this Appendix we have summarized first the points made by those directors by telephone, identifying programs by the same codes used in the body of the report. Then we have included the written response from Grantee A and our rebuttal. Please note that this final report is substantially different from the draft and that many criticisms (we trust, most) are no longer applicable.

Grantee A

- The most significant problem with this report is that it implies that programs like ourselves which are classified as Neither Highly Economical nor Highly Efficient are "bad" programs. That is simply not the case; we are a good high quality program. You need to make very clear in the report that your categorization scheme should not allow this implication to be made, that your classification takes account only of costs, not of program quality.

- Our costs appear to be high relative to other programs, and you do not spend sufficient time explaining that this area of the country is a high-cost area in which to live. The problem is not that we are excessive spenders, but that anyone operating in this area would be more expensive simply because of the cost of living.

- You do not spend sufficient time or emphasize enough that the categorization of programs by Economy and Efficiency is simply an index for regional staff to use, that the negotiation process between the Region and the grantee is the critical feature of your recommendations. It sounds now as though we may be declared too expensive by fiat and that no negotiation or justification will be permitted.

- We question your distribution of grantee administrative costs across the delegates. When we calculate their cost per child, we arrive at much lower figures. Perhaps it is too much of a burden to place on delegates, this division of all central administrative costs, all expenses for the magnet training center for handicapped children and the overhead charged by the grantee to Head Start. We would like to think more about the appropriate costs to be distributed.

- We do not agree with your comments about possible changes in staffing arrangements to achieve cost savings. We hire staff as full-time workers and cannot change them to part-time. They earn so little money now that such a change may result in their leaving the program. We need these good staff to stay. The suggested option of double sessions is also impractical. Staff cannot manage this load and retain their creativity and energy dealing with the children. In addition, we are now operating with a minimal set of coordinators and administrative staff. Combining roles further isn't possible.

Delegate A3

- You have assigned too high a grantee administrative cost to our program. We are very economical and efficient, and do not feel that our placement in the Neither Highly Economical nor Highly Efficient category is fair.

Grantee B

- We feel that you have not allocated a sufficient amount of our grantee administrative costs to the delegates. We recognize that you asked us about the time and resources we expend on behalf of the delegates and that it did not translate into a sizeable dollar amount, but this allocation does not require the delegates to assume their fair share and should be revised.

Grantee H

- We have been classified as Economical But Not Efficient, and its seems to me the reason is that our program operates for four hours a day. But some of our children have to ride the bus for up to two hours, and we cannot extend their day any more. Perhaps your index of service hours should change to incorporate time in transit as well as time in direct contact with center staff in the classroom. We would then become both economical and efficient which seems true of this program.

- Your finding about the relationship of economy and staff training is not always true. We are economical and have a highly trained staff.

- Cost per child or cost per child hour would seem related to the longevity of staff in the program. Was this not measured? Our staff has been with the program for many years and that may be the reason we are not classed as efficient.

- We strongly support your suggestion that Head Start set a minimum number of hours per day and days per year for the program, and that they set maximum numbers as well. Ten hours per day may not reflect the philosophy of Head Start.

- We follow a policy of over-enrollment and support this idea as we feel it makes us more efficient.

Grantee A:

SERVICE PROVIDER RESPONSE TO: Head Start Costs: Draft Final Report

The Aurora Associates, Inc. Task Order No. 2 - Head Start Costs: Draft Final Report neither realizes nor was framed to realize its stated objectives. As stated in the Preface, Task Order No. 2 "requested an exploratory short-term evaluation of Head Start Cost/Performance data." This would indicate that the research was intended to be a preliminary review of limited focus. Instead, the study draws sweeping conclusions which are in fact invalid, because they are based on inadequate data and a failure to coherently define program quality.

The stated objectives of the study were:

...to answer policy questions by:

* understanding the variation in costs across grantees,

* identifying grantee practices which realize cost efficiencies,

* developing policy recommendations which will help to optimize program performance within cost constraints, and

* suggesting information to be contained in Head Start Grant application packages and ways in which this information should be evaluated by regional and national staff.

The Task Order leader's cover letter of January 26, which apparently recognizes the limitations of the study, articulates the concern that "the 17 of you (the programs surveyed) not be considered representative." Despite this awareness, the researchers then proceed to make observations and recommendations

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which could only be justified by a study of broader scope and more intellectually rigorous design.

Specifically, our objections fall into three categories:

1. Task Order No. 2 requested an exploratory evaluation of Head Start cost/performance data. The document addresses only half of what is was intended to address e.g., it addressed costs and not performance. In essence, it is an incipient cost-benefit analysis which fails, through use of a skewed sample, to arrive at a meaningful cost analysis, and equally fails, through total absence of attention to performance criteria and comparability of data, to meaningfully correlate cost and performance.
2. The usefulness of the established indices of "economy" and "efficiency" are highly questionable. "Economy", which is defined in terms of "annual cost per child", fails to take proper account of cost-of-living differentials and the wide variation in state regulations, and absurdly compares, for example, the costs-per-child of a Southern rural program which pays its teachers a lower than minimum wage with those of a program in an urban area which has the highest cost-of-living in the continental United States. "Efficiency", which is defined in terms of "costs-per-child hour of service", may actually be an inverse indicator of quality e.g., a program which exhibits a low unit cost may have

achieved that efficiency through such sacrifice of quality that the unit may have little or no meansurable value. An analogy would be the substitution of low unit cost Ketchup for higher unit cost vegetables in a school lunch. Clearly, Ketchup is more cost efficient, and the substitution is feasible if adequate nutrition ceases to be a consideration.

3. There are data-associated problems, including issues of authenticity of data, of sweeping conclusions based on insufficient data, and of other conclusions actually contradictory to data. In short, the quality, quantity and nature of the data do not support the fundings of the study.

To amplify on the first problem category, it must be recognized that an analysis which purports to examine the relationship between cost and performance requires specific quantifiable performance indicators. Without this framework to establish comparability of programs, meaningful cost analysis is impossible, as is realization of the stated objective of "developing policy recommendations which will help to optimize program performance within cost constraints." Regarding this issue of program quality, the authors of the study themselves note, "it would be useful to know the number of contact hours needed for significant child gains, but we do not have that information at this time...So, we did not feel that establishing a quality index from contact hours was possible or reasonable in this study." Having commented on this difficulty, they discard it from consideration and proceed with a cost-based analysis.

The second set of problems in the report spring from the fact that the criteria of "economy" and "efficiency" represent arbitrary selection and codification of sample data. The sample of programs chosen for the study is extremely limited and misleading. Too few programs were surveyed to provide rational grounds for national recommendations. The entire Region I sample consists of programs operated by a single agency, and this same agency represents the major portion of the urban data included in the study. This one agency represents approximately 40% of the total enrollee population involved in the research data, and 70% of the urban enrollments studied. This suggests that the researchers were interested in having convenient access to data, rather than in establishing a meaningful sample.

Once the sample was chosen, the researchers compounded the data problem by failing to adjust for major factors affecting costs in the different programs. Bureau of Labor Statistics reports show that the Cost-of-Living for one of the areas in the study is a full third higher than for another. This translates to increased program costs for salaries, rents, utilities, and services.

A survey of the annual cost-per-child for public education in the areas studied disclosed that public schools in one of the areas were spending twice as much per child as in another ($3,500 vs. $1,771). Since Head Start programs must compete with the public school systems for competent teachers, this differential also impacts program costs.

State licensing and regulatory requirements mandate costs for some areas, while not affecting others. (See attached chart) Further, these same requirements also prohibit some of the cost-reducing methods suggested by the researchers.

The study ignores the dramatic effect that the factors listed above have on costs. By comparing programs without making any adjustments for the regional and regulatory factors which most sharply impact costs, the researchers have performed a cost analysis of limited validity and little meaning.

A further problem with the study "criteria" is recognized by the authors themselves. Though continuing to identify "economy" as a measure of a "good" Head Start program, the authors state:

> The implication of the relationship between economy and training is that more economical programs seem to be delivering a lower quality of programs to children. This is certainly a situation not to be encouraged.

Similar problems are seen with the criterion of "efficiency". Since "efficiency" is defined as a low cost per child hour, measures to lower this cost would statistically make a program more "efficient". However, such measures, as noted above, would not necessarily make the program better.

Lower costs per child hour could presumably be achieved by paying teachers less. In the city with the highest cost of living in the continental U.S., Head Start teachers and teacher assistants earn beginning salaries of $8,190 and $6,580, respectively. Given the fact that many of these people are already eligible for food stamps and medicaid, it is doubtful that there is significant room for more "efficiency" in this direction.

The authors suggest that, "costs could be reduced by hiring trained staff who do not have degrees or hiring staff who will be trained by the program after hiring." This has long been the approach of the respondent agency, when such action does not conflict with state licensing regulations. The hiring of a non-degreed staff member for such a position as "special needs teacher", however, would not only conflict with state licensing requirements, but would be of active detriment to "special needs" children.

The study's position that many Head Start programs "hire staff with degrees because they feel strongly that only through this practice will they be appropriately accepted by the community as a legitimate program and be able to lever the resources they need," is therefore inaccurate as well as being unduly patronizing. This line of argument, carried to its extreme, could culminate in a directive that programs hire cheaper and cheaper personnel, with fewer and fewer qualifications in terms of experience and expertise, to demonstrate an ongoing "efficiency" gain.

A further problem in the study arises when the researchers draw conclusions without adequate support. An example of this is the specious logic which concludes that since "the most expensive functional area is education" and "personnel costs are the single largest contributor...one direction to look for cost savings is the staffing of the Education component." In a program in which "positive child gains in cognitive skills" is a major measure of success, it is probable that Education should remain the most expensive component. The suggestion that personnel costs in this component constitute the likeliest area for cost reduction, detached from program outcome considerations, is highly irresponsible.

The third major set of problems within the study is data-associated. The authenticity of accounts in the report concerning discussions with Head Start administrative staff is open to serious question. The study states that, "directors do not expect the cuts in other federal programs to affect their revenues or expenditures seriously." The director and staff of the respondent agency, which represents more than one program in the very limited sample, were emphatic in articulating their concerns about the impact of proposed federal cutbacks on both program quality and program costs. As they stated, funding reductions in the Child Care Food Program will create serious problems in Head Start's efforts to meet children's basic nutritional requirements. These problems will be exacerbated if such cuts are coupled with proposed decreases in food stamp allotments.

| No

Reductions in the funding of community health centers and Medicaid will have a major detrimental effect on child health components unless balanced by increased Head Start expenditures. Reductions caused by the change from the Community Services Administration to the Community Services Block Grant program are already jeopardizing the infrastructure of the agency upon which our program depends for basic administative support. The statement that "directors do not expect the cuts in other federal programs to affect their revenues or expenditures seriously," was not supported by any of our own directors, and we seriously doubt that the majority of other Head Start Directors would feel any differently.

A conclusion which directly contradicts data is the first policy recommendation, which is that "ACYF should set a policy to guide grantees in the process of soliciting donations..." How is this recommendation to be reconciled with the finding (pp. 26-28) that, "five directors said there was a potential for loss of donations, eight said donations could be maintained at the same level but not increased, and four said there was some potential for increase. Unfortunately, each of these latter four were hesitant about their reply, stating that 'If the county economy continues to improve as in the last five years, Head Start may get some donations,' 'We may do some joint work with two day care centers and Montessori.'"

The two major recommendations of the Task Order No. 2 report are arrived at through a study which has serious methodological faults and in which data and conclusions are at distant odds.

Apart from the study, the initial recommendation, concerning solicitation of donations,is frankly impractical in the current political and economic climate. Donated space and utilities, for example, account for a large portion of the respondent agency's in-kind revenue. Because of the effects of inflation, including increased utility costs and escalating regional occupancy costs, space and utility donations are likelier to decrease than grow. Similarly, donors of supplies and transportation services may also be forced to re-evaluate their already generous commitments.

The second recommendation, that "economy" and "efficiency", as defined in the report, be established as criteria for review of grantee costs, has been addressed at length in the body of this response. We would indeed welcome a study that deals responsibly with such issues as "economy" and "efficiency" and meaningfully correlates them with criteria of program quality. We do not feel that this is such a study.

COMPARISON OF STAFF QUALIFICATIONS REQUIRED BY STATE LICENSING AGENCIES

	PROGRAM DIRECTORS OR	HEAD TEACHER*	TEACHER	TEACHER ASSISTANT	SPECIAL NEEDS TEACHER
STATE V	I. High School Diploma, or equivalent; (4) courses in early childhood education; (36) months of half-time experience giving care to pre-school age children in a day care center OR II. A.S. degree in early childhood or related fields; (4) courses in early childhood education; (27) months half-time experience with pre-school age children in a day care center. OR III. B.A. or advance degree in early childhood education or related fields; (4) courses in early childhood education; (18) months at least half-time experience giving care to pre-school age children in a day care center		High School Diploma or equivalent; (1) course in early childhood education; (9) months of half-time experience giving care to pre-school age children in a day care center OR A.S. degree or B.A. degree in early childhood education or related field; (1) course in early childhood education; and (3) months, at least half-time giving care to pre-school age children in a day care center.	At least 16 years of age; and shall work under the direct supervision of a teacher or head teacher at all times.	B.A. degree in early childhood education; psychology or related fields; (4) courses on special needs children and (18) months at least half-time experience providing care to teac ing children with special needs.
STATE W	Completion of recent training (within 3 years) in the field of child care. (neither training nor training course curricula are are defined).	No Head Teacher position exists	No education or experience requirements stipulated	No education or experience requirements stipulated	No regulations regarding staff who work with special needs/handicapped children exis

* It appears that program director requirements that are used by States W,X,Y and Z are in fact the requirements for the position of head teacher as defined in State V.

(2)

	Program Directors	Head Teacher	Teacher	Teacher Assistant	Special Needs Teacher
STATE X	Two years of administrative or program experience in a child care center, or equivalent experience; High School diploma or equivalent program.	No Head Teacher position exists.	No educational or experience requirements stipulated.	No education experience requirements are stipulated.	No regulations regarding staff who work with special needs/handicapped children exist.
STATE Y	Completion of at least 60 college hours in an accredited college or university; (2) years full-time paid experience work with children in child care setting may be substituted on a year for year basis.	No Head Teacher position exists.	No education or experience requirements stipulated.	No education experience requirements are stipulated.	No regulations regarding staff who work with special needs/handicapped children exist.
STATE Z	No educational or experience requirements are stipulated.	No educational or experience requirements are stipulated	No educational or experience requirements are sti-	No educational or experience requirements are stipulated.	No regulation regarding staff who work with special needs/handicapped children exist.

Aurora/Westat Response to Grantee A:

Aurora/Westat appreciate the concern expressed by your comments to the draft final report. Unfortunately, we believe that you misunderstood the purpose of the study, the particular methodology employed, and the basis upon which conclusions and recommendations were made. Had this study been one of national scope, attempting to reconcile costs among a representative sample of grantees, many of your comments would have been valid. Our study, however, was a short-term exploratory evaluation designed to identify potential tools and strategies for analyzing cost variations among a purposive sample of grantees. Throughout the report we have taken care to caveat those areas which may tend to lead readers to draw erroneous conclusions. These caveats must be kept in mind throughout the report.

In the following paragraphs we respond to your comments by more fully discussing the purpose of the study and, in particular, what it was not intended to do. Specifically, it was not intended to be and will not serve as an evaluation of any of the programs we visited. We chose to visit only programs of satisfactory quality which showed a mixture of levels of service and program options (e.g., home-based versus center-based) to give us a picture of costs and to help us develop a tool for examining program costs, not to make recommendations on how each program should be required to contain its costs. Let me expand on this just a bit.

First, as you discussed, the issue of program quality is a critical one for the study. We faced the issue of defining quality in planning for the study, and decided to make "satisfactory" program quality a prerequisite for all sites we visited. This approach, however, does not rule out variations in quality within the satisfactory range. We essentially established a minimum level of quality that could be defined as satisfactory before we would look at costs. (Presumably programs of lower quality could argue that they needed more money to achieve this minimum level, and our findings about their distribution of costs would not meaningfully represent the costs of operating a satisfactory Head Start program.) This strategy for defining quality was reasonable for our purpose; we did not intend to conduct a cost-benefit analysis or a cost-effectiveness study. In fact, our approach reflects a traditional federal management perspective, though not that adopted by Head Start. We could not take a careful look at program quality on site because a proper examination would take weeks, if not months, per site. So, we worked with a group of programs which met standards stated in the report to examine costs. As you said in your response, we did not explicitly meet the objective of optimizing performance within cost constraints. More exactly, we sought to develop recommendations for optimizing costs within performance constraints.

It should be noted that the Head Start Performance Standards define quality in terms of a ceiling (meeting all of the Performance Standards) rather than a floor (as we did), that the program continues to encourage grantees to improve the quality and level of services provided. Certainly there were differences in services among the programs we visited, with some programs providing more extensive services than others. For example, you have R.N.s on your staff and Ph.D.s in mental health areas; many programs have neither. We could not take account of such differences in our data gathering, but readily acknowledge they are there.

Second, our goal in making policy recommendations was to provide decision makers with a tool -- a set of instruments -- for examining program costs in conjunction with the SAVI measures of performance. The calculations of annual and hourly costs per child which we derived serve as an end product from using this tool. Our economy/efficiency matrix was simply a way to array these two aspects of cost which we identified as critical. By splitting the 16 sampled programs into 4 groups based on these measures, we were attempting to supply decision makers with an example of how the tool may be used. We are not making a statement about the adequacy of the sampled programs, but simply using them as examples.

Unfortunately, by mixing into the discussion the rhetoric of "good" and "bad," it may seem that we have evaluated each of the sampled programs and that you and others came out wanting. We do not mean to make that statement. Your program met our minimum standard for quality. In addition, we recognize that in another sampling of programs, yours might appear in any other quadrant. The division into 4 groups is a useful device, but can only be used for decision making about individual programs when the sampled group is sufficiently large to reflect all of Head Start.

Your argument about regional cost differences is certainly valid, and such adjustments should be made when this tool is used on a national basis. In fact, as we mentioned in the report, we adjusted all programs' costs using local teachers' salaries as the proxy for regional differences. The result was that the relative rankings of the programs on economy and efficiency were almost identical to the rankings on unadjusted costs. The minor differences were exchanges of position of programs in the middle of the distribution; your programs remained in the same quadrants. We chose to list unadjusted costs in the body of the report because those dollar figures matched what ACYF staff knew to be the costs of the programs.

Third, in making suggestions about strategies for containing costs or increasing income, we were not suggesting that each program we visited should be required to follow these strategies or that programs had not made legitimate attempts to contain costs in the past. To the contrary, Head Start staff have managed to leverage an impressive volume of donations and have derived many useful strategies for providing services at low cost. We should perhaps have expanded upon these past efforts rather than focusing on an effort to secure more cash donations. Not spending time on programs' efforts to secure donations was due to our assumption that our audience knew about such efforts, applauded them, and wanted to know more about the possibilities of "new" directions -- soliciting cash donations from the private sector and changing some staffing patterns or modes of service delivery.

Our suggestions about changing staffing patterns, for example, may not be applicable to your program. If the process which we are recommending is adopted, you would be asked to discuss the inappropriateness or appropriateness of any potential avenues of change with regional office staff. Any changes would presumably use your input from such a discussion on effective strategies. We made the suggestions we did from viewing all 16 programs and then stepping back to ask about theoretical possibilities. None or few that we suggested may be appropriate for you. With the suggested process for regional office review, you would have a forum in which to present your views.

One reason any specific suggestion may not be applicable is that state requirements do not permit such a move. It is because of differing state requirements that a flexible process of reviewing cost/performance data is so necessary for Head Start. Noncompliance with state regulations is not an option for any program, whether such noncompliance occurs in staffing patterns, policies of overenrollment or any other area. We did not mean to imply that such noncompliance was to be encouraged.

The fact of the matter is that by your selection for participation in this study we have judged that you operate a satisfactory Head Start program. In my personal opinion, its quality is much more than satisfactory. In no way do we mean to imply that that is not the case. In revising the draft report we have tried to ensure that any negative implications about program quality are erased and that all sampled programs are seen as examples and not as representatives of all Head Start or of programs needing cuts.

In summary, we stand firmly by the methodology and results presented, recognizing the limitations of short-term exploratory evaluations. We believe that we have proposed an approach which enhances one's ability to sort out the variation of costs and identify appropriate policies and strategies for enhancing program efficiency without negatively affecting program performance.